



Building Skills, Increasing Economic Vitality

A Handbook of Innovative State Policies

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JOBS FOR THE FUTURE

CREATING STRATEGIES
for Educational and Economic Opportunity



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JOBS FOR THE FUTURE seeks to accelerate the educational and economic advancement of youth and adults struggling in today's economy. JFF partners with leaders in education, business, government, and communities around the nation to: strengthen opportunities for youth to succeed in postsecondary learning and high-skill careers; increase opportunities for low-income individuals to move into family-supporting careers; and meet the growing economic demand for knowledgeable and skilled workers.

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Introduction

“It is one of the happy incidents of the federal system that a single courageous state may, if its citizens choose, serve as a laboratory; and try novel social and economic experiments without risk to the rest of the country.”

—U.S. Supreme Court Louis D. Brandeis, dissenting opinion, *New State Ice Co. v. Liebmann*, 1932.

The first few years of the new century have been tough for states economically. The fiscal position of states took a serious hit in 2000-2003 as a result of a deep recession made deeper by the impact of 9/11 on the U.S. and state economies. States suffered huge job losses, as manufacturing led other industry sectors in shedding experienced workers. About one in five manufacturing jobs disappeared in the six years between June 1998 and June 2004. According to the Economic Policy Institute, between 2000 and 2003 real median household income lost 3.5 percent of its value, and state balances declined from 10.5 percent of expenditures to 1.3 percent. Revenues dropped dramatically and spending cuts followed. Ten states saw their bond ratings lowered.

In the past year or so, the short-term fiscal environment in most states has improved. Some states are beginning to see new surpluses as tax revenues rise, and state budget challenges have receded a bit. Unemployment rates, which had stubbornly refused to budge since 2002, have begun to ease in several states, lowering the current national rate down to 5.4 percent from a high of 6.3 percent in June 2003.

There is no complacency among states, however. For one thing, jobs have not come back as quickly as they had following most recessions. A number of states still have fewer jobs than before the beginning of the recession in March 2001. In all 48 continental states, according to jobwatch.org, job growth has lagged working-age population growth since 2001, failing to keep up with the increase in new entrants to the workforce.

Even more important, state policymakers and officials understand that the cyclical lows of the past few

years have masked a perhaps more problematic set of structural economic trends working their way through the national and state economies. Across the nation, states confront powerful forces that threaten the well-being of large segments of their residents and that challenge governmental capacity to respond creatively and effectively.

These challenges are well-known. The combined impact of global markets and competition and steady increases in productivity puts downward pressure on wages in less-skilled American jobs and promotes offshoring not just of low-skill production jobs but, increasingly, higher-skill service and intellectual work. The shift from manufacturing to services and the higher skill requirements of new jobs reward skilled, technologically sophisticated workers—and punish those with less education and skill. The difference between the average wage of those with a high school degree and those with a college degree has risen 70 percent during a period when the supply of college-educated workers has increased. Some form of postsecondary educational credential is fast becoming the minimum needed to ensure a wage that can support a family.

Moreover, demographic trends are exacerbating the economic challenge. A recent study by the RAND Corporation documents the trends toward slower labor force growth, retirements of older workers, and fastest growth in the workforce and population among groups with the greatest economic disadvantages: minorities, new immigrants, and individuals from low-income families. Between 1972 and 1999, the percentage of young people of color in the public school population rose from





“We must pave a third road to a powerhouse economy because businesses need more than access to capital. They need a flow of human capital—a skilled workforce to give Michigan’s businesses an edge when competition is fierce and margins are tight. In the last century, businesses came to Michigan looking for strong backs. Today, they also need strong minds ready for continuous learning, skilled hands, and an ethic of excellence.”

—Michigan Governor Jennifer Granholm, State of the State speech, January 27, 2004

22 percent to 38 percent. Because African Americans and Hispanics graduate from high school and college at lower rates than whites, this demographic shift means that extra effort will be needed just to maintain current aggregate levels of attainment and achievement in states with fast-growing minority and immigrant populations. According to Texas state demographer Steve Murdoch, without dramatic increases in the education and skill levels of Texas residents in the next two to three decades, the standard of living will contract rather than grow in the second quarter of the century. And as goes Texas, so goes the nation.

States are beginning to respond to these powerful trends and problems. However, they are constrained in their ability to respond. Medicare costs and K-12 education investments are crowding out other spending priorities—and those pressures will not go away soon. Higher education, training, and economic development investments have been cut back. And the shift in economic activity from manufacturing to services and from retailers to online transactions leave states with tax systems that are unable to benefit fully from the rebound in economic activity.

In this environment, creative and entrepreneurial state policymakers and officials are experimenting with innovative approaches to building skills and increasing economic vitality. They increasingly see the need to connect education, workforce development, and economic development policies in new ways. They see skill development strategies as an important part of long-term strategies to maintain and expand economic activity and standards of living, to address inefficiencies and inequities that are limiting the states’ ability to grow and adapt to new economic realities.

In their 2004 State of the State speeches, the nation’s governors cited many issues competing for their attention and their states’ resources, including health care, education, crime, and security (Nodine 2004). Among the most compelling challenges were those related to eco-

nomics development and the ability of a state’s workforce to meet the needs of growing, high-wage industries. Indeed, governors and policymakers are acutely aware that demographic and economic trends mean big changes in some industries, and they are aware that the size and composition of the labor force are changing, as are the characteristics of many jobs. They are also sensitive to the ability of companies to relocate if states cannot provide them with the workforce that they need.

In response to these trends, states have been exploring a variety of strategies to increase economic vitality by building the educational and technical skills of the workforce. To support and fund these strategies, they have created a variety of policies, which have met with varying degrees of success.

State officials might well look to their peers for new ideas about how to seek advantage and opportunity in an era of increased need and tight budgets. In this report, *Building Skills, Increasing Economic Vitality*, we highlight some of the most promising and exciting developments in state workforce and skill development policy, particularly in four areas of policy innovation:

- *Redesigning Financing for Workforce Development:* Some states have advanced policies that take a creative approach to financing. They have restructured existing funding streams or applied them in new ways, and they have even established new sources of revenue. Iowa and Missouri, for example, have generated tens of millions of dollars to fund training through highly innovative bond financing mechanisms.
- *Strengthening Workforce Development/Economic Development Linkages:* Some states have focused on encouraging and developing local or regional industry. This has led them to establish and strengthen linkages between workforce development and economic development, to seek to improve efficiency in delivering services, and to work to ensure that the outcomes reflect the state’s economic priorities. Kansas, for example, has brought economic and workforce development into closer alignment by placing workforce development under the purview of the state Department of Commerce. It has also created a forum in which the assets of the higher education system are brought to bear on workforce development.
- *Building the Capacity of New Labor Market Institutions:* A number of states have focused policy on building long-term support for a new set of labor market institutions, known as workforce intermediaries, that can take the lead in serving both the skill needs of employers and the career needs of workers. These organizations help close gaps between what the public system can

provide and what workers and employers need. For example, Washington State has created Skill Panels to act as industry-based coordinators of regional labor markets, working with state agencies and community colleges to target training to meet the needs of high-growth industries.

- *Expanding Community College Capacity:* Some states are finding innovative ways to make higher education more accessible to working adults. These states have adjusted the funding formulas for community colleges, giving them more incentive to serve working adults and provide the educational options and services that best meet the needs of these students. Between 1997 and 2000, Kentucky launched a series of reforms that were designed to make its community and technical colleges more responsive to the training and skill needs of employers and working adults, including speeding up the process for course approval and providing academic credit for workforce training.

The states highlighted in this report have enacted workforce development policies that are not only innovative but also have the potential to be replicated elsewhere. In this handbook for policymakers and practitioners, *Jobs for the Future* showcases the range of policies and approaches that states have taken and their successes in meeting ambitious goals. These approaches are not necessarily easy to implement; in fact, most states have faced significant challenges to moving ideas to adoption and implementation. What has pushed the policies along have been powerful drivers for change as well as creative solutions to making change possible.

We recognize that skill development, even when tied to economic development, is not a sufficient response to the needs of low-income families in many states and communities. We recognize the need for other public policy innovations, at the state and national levels, to address the contribution that trade, monetary policy, and business restructuring have had in expanding the number of working people in the U.S. who work hard but cannot make ends meet.

However, we have been impressed by the new and promising approaches emerging in states that point to new ways to organize public and private sector resources, take advantage of regional economies and their particular strengths, and develop public policies that promote flexibility, accountability, and learning in government implementation. This resource report is written to help states learn quickly from the best efforts of their peers—and to accelerate the trends toward coherent clusters of state policies that build skills and promote economic vitality over the long run.

“We need to focus all our energies on Ohio’s economic future. My New Year’s resolution is to spend every day doing all I can to help create jobs for Ohioans. Everything depends on a good job... and a tax base to support schools for our kids and services for our seniors. Yet...no jobs are safe. High-speed Internet connections and low-cost, skilled labor overseas are an explosive combination. By one estimate, 4,000 engineering, programming, and accounting jobs will leave the United States every week. We are battling for our economic survival....We must focus on growing sectors of the economy. We must focus on jobs that pay a good wage.”

—Ohio Governor Bob Taft, Governor’s Address,
January 28, 2004

To collect the information in *Building Skills, Increasing Economic Vitality*, JFF engaged in a combination of primary and secondary research to identify 11 states with a record of innovation in workforce development: California, Kentucky, Massachusetts, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Virginia, and Washington. We then asked policymakers in these states to identify which workforce development policy issues were most critical to meeting short-term economic development goals. Third, we researched the issues identified by policymakers in the 11 states. Finally, we interviewed policymakers in states that had enacted innovative legislation that addressed those issues.

In the course of our research, several state “stories” stood out both for their scope and for their innovative approaches to solving seemingly intractable problems. To provide a rich narrative of what it takes to move forward with an innovative workforce skills agenda in the current environment, the case studies that conclude this handbook highlight four policies in five states, with details on how they were conceived, designed, adopted, and implemented.

Part I.

Innovative State Policies

Interviews with policymakers in leading states revealed that the policy strategies to promote career advancement fall into four broad groups:

- Redesigning financing for workforce development;
- Strengthening workforce development/economic development linkages;
- Building the capacity of workforce intermediaries; and
- Engaging community colleges in workforce development.

Redesigning Financing for Workforce Development

Finding the resources to implement innovative policies often requires its own innovation. A common complaint from policymakers is that workforce development funding is not just in perennially short supply; too often, it is sequestered in impermeable silos that are inefficient for meeting the needs of the labor market and often result in duplicated efforts. Narrow, categorical funding streams are difficult to access and difficult to use in workplaces where the training that workers need does not always neatly match with program eligibility requirements.

Moreover, even these funding streams are drying up. Between 1985 and 2003, resources dedicated to the disadvantaged adult title of the Workforce Investment Act and its predecessor, the Jobs Training Partnership Act, have decreased by over 30 percent. Wagner Peysner funds, used to fund the Employment Service for workers receiving Unemployment Insurance, have been cut 40 percent over the same period (Spence and Kiel 2003).

The desire to train workers in the skills employers need has led to the invention of a number of progressive financing policies. Policymakers have joined with advocates from community colleges, state agencies, and labor-management partnerships to consider how to finance the shared needs of workers and employers more creatively and efficiently.

Innovative financing policies share several design principles. They:

- Create new sources of funding, or leverage funding from employers and other sources, to increase support for skill development;
- Make eligibility requirements for individuals more flexible;

- Enable programs to blend funding streams to serve a broader range of individuals;
- Target priority industries and training for jobs that pay well;
- Make use of funding responsive to the needs of employers; and
- Create region-level decision-making authority so that funding is more responsive to regional priorities and needs.

The bond financing models in Iowa and Missouri have dramatically changed not only the funding of services but also the working relationship between community colleges and industry. The case studies in the appendix present these models in more detail.

Blending Disparate Funding Streams: The Massachusetts BEST Program

In 2000, 1.1 million Massachusetts adults were considered “at risk” in the workforce due to deficiencies in basic math, reading, writing, language, and analytic skills (MassInc 2000). These deficiencies were ominous for employers addressing current workforce needs and planning for the future. State policymakers realized that existing programs weren’t doing the job.

In 2001, Massachusetts established the Building Essential Skills through Training initiative. State agencies pooled \$3.5 million for the first round of BEST funding, which targeted training programs that were in high-demand occupations in priority industries, created career ladders, and made eligibility for career ladder training flexible. BEST grantees were required to involve employers directly in program design.

First round funding came from the Division of Career Services, the Division of Unemployment Assistance, the Department of Education, and the Department of Workforce Development, as well as the Department of



Transitional Assistance, which provided funding for evaluation. The Workforce Training Fund, a state incumbent worker training program supported by employer payments totaling 0.075 percent of their Unemployment Insurance taxable wage base, provided \$2 million. Workforce Investment Act discretionary funds provided \$500,000. WIA Adult Education and Family Literacy funding provided \$1 million.

Through a competitive process, the program funds Regional Industry Teams comprised of representatives from employers, education and training providers, local workforce investment boards, and workers from firms or organized labor. The teams carry out projects that emphasize the development of basic and foundational skills, expand access to education and training, promote long-term employment or career mobility, and provide evidence of sustained improvement or change for workers and employers. First-round funding went to three Regional Industry Teams in the health care/health care research industry, as well as teams for financial services, manufacturing, and biotechnology.

All four state agencies are involved in decision-making, and Commonwealth Corporation, a quasi-public state workforce development agency, helps to build the partnership and operate the program. The agencies modified their internal policies to allow up to 10 percent of their funding to be used flexibly in support of BEST's first round of funding.

RESULTS: *As a result of BEST, program integration at the regional level and a focus on the advancement of workers with limited skills are increasingly standard operating procedures for the participating agencies and the training they support. As of mid-2004, over 2,800 individuals had received services through first-round BEST programs, employers had made co-investments of more than \$3.5 million in the programs, and two of the Regional Industry Teams had secured employer contributions toward their long-term sustainability.*

In 2004, state economic development legislation included \$6 million for a new BEST round, significantly expanding funding for skill development. Eleven Workforce Investment Boards are the grant recipients. They will head employer-driven partnerships that design and deliver projects reflecting the needs of the participating employers to increase the skills, education, and ability of workers to contribute to the economic vitality of their communities.

Additional support for sectoral projects came from the legislature through the Community Based Organizations and Older Worker Initiative. Worker training and education grants, totaling \$1.25 million, were awarded to seven projects to help the unemployed find or improve employment and raise wages to a level sufficient to support a family or place individuals on a career path.

Bond Financing of Workforce Development Activities: Iowa New Jobs Training Program

In the early 1980s, faced with shrinking state budgets, a rapidly growing number of unemployed farmers, and the loss of well-paying jobs to other states and countries, Iowa policymakers succeeded where others have floundered: new legislation created the nation's first customized job-training program to be funded through bond sales rather than through state appropriations.

Since 1983, Iowa's New Jobs Training Program has assisted businesses that create new positions or new jobs. If a company is expanding its operations or locating a new facility in Iowa, the NJTP provides flexible funding to meet a variety of training and other worker development needs. The assistance ranges from highly specialized education programs to basic skills training for new positions. The self-funded NJTP is designed to be highly responsive to employer needs.

Each community college is authorized to sell bonds to fund job-training projects based on regional demand. The certificates are repaid over a maximum of 10 years through the diversion of 1.5 percent of gross payroll tax, which is 50 percent of Iowa withholding tax revenue, or 3.0 percent for jobs with wages exceeding the county or regional average. The tax revenue is generated by the business's newly hired employees or, less frequently, through the diversion of the new property tax revenue generated by business' new construction. Because bonds are repaid with tax revenue, the amount of training funds available to a business is determined by the business' tax-generating capability. Taxable bond financing is unlimited. However, there is a \$100 million statewide cap on outstanding *tax-exempt* debt at any time. The community colleges also have the authority to levy stand-by property tax throughout their taxing area as a method for securing against default, although they have rarely taken this step.

The NJTP is the cornerstone of Iowa's workforce and economic development efforts. The state's 15 community colleges serve as intermediaries for the program: they broker and, in most cases, provide training for workers in growing companies. In addition, the college works with employers to develop a training program, monitors the training, and uses bond proceeds to reimburse companies for approved training courses. The community college that issues the bonds initially pays the training and administrative costs. The bonds are the obligations of the community college, not the employer.

The community college, in consultation with the employer, designs the program services, based upon the needs of the new workers as determined by the employer, within the limits of the legislation, program rules, and college policies. For example, training might cover blueprint reading, computers, stress management, supervi-

sory skills, time management, welding, or the principles of electronics. Community college staff or third parties provide the training.

The Iowa Department of Economic Development has overall responsibility for the NJTP, but the community colleges' boards of trustees approve agreements with employers. The department makes certain that all new jobs meet certain wage requirements and are in industries that provide Iowa with a comparative advantage in the marketplace. The department is also responsible for tracking and reporting usage and results.

RESULTS: *The NJTP has remained relatively unchanged in the two decades since its inception, a testament to its success. It has helped new and expanding businesses to compete in the national and international marketplace and helped Iowans gain employment and advance in the local market.*

The NJTP has provided job-training assistance to over 128,000 Iowans in new jobs since 1983. In the last 10 years, the number of projects per year has ranged from 29 to 138, the number trained from 2,031 to 11,547 per year, and annual totals for issued bond amounts have ranged from \$10,255,000 to \$46,337,000. Moreover, the program has made community colleges the focal point for workforce development by bringing the community college system into the contracted job-training business.

Employer actions confirm that the NJTP is a determining factor in corporate decisions to locate in Iowa. According to one community college official, Eastman Kodak, Weyerhaeuser, and a Korean steel company have all based their decisions to locate in Iowa on the strength of the state's workforce development system and the availability of training.

Bond Financing Revisited: Missouri Community College New Jobs Training Program

Established in 1991, the Missouri Community College New Jobs Training Program is similar to the Iowa program in a number of ways. As in Iowa, the MNJTP provides training assistance to companies creating a substantial number of new jobs in Missouri, with community colleges initially financing training through the sale of bonds. What is unique about the Missouri model is that it encourages employers to purchase the training bonds themselves, thereby assuming the responsibility for training. The bonds are bought primarily by the employers who receive the training assistance; bonds that employers do not buy are still guaranteed by them, and the interest on the bonds accrues to the employers. The certificates are repaid by using credits from the employer's regular withholding tax, based on a percentage of the gross wages paid to workers in the new jobs. The tax withholding is equal to 2.5 percent of gross wages for the first 100 new jobs and 1.5 percent for the remaining new jobs. To repay the training and certificate costs, the tax withhold-

Nothing is more important to the future of Missouri families, businesses, and communities than jobs. Without good jobs our state will not have the kind of sustained economic growth we need to ensure a bright future for citizens in all parts of the state. JOBS NOW will provide increased funding so Missouri can invest in maintaining and upgrading the skills of our workforce so that they, our businesses and our communities can remain at the forefront of technological advances and stay competitive in the global economy.

—Missouri Governor Bob Holden, 2004

ing for projects in excess of \$500,000 may be claimed for eight years; for projects under \$500,000, it may be claimed for ten years. Employers have a strong incentive to retain hired workers: only through the diversion of the trained workers' payroll taxes are the employers' bonds paid off.

A second difference between the Iowa and Missouri approaches is the role of state agencies. While the Iowa Department of Economic Development is mainly responsible for program oversight, the Missouri Department of Economic Development's Division of Workforce Development uses criteria regarding target industries and wage levels to determine company eligibility and monitors the program for training duplication. Upon the division's approval of a company's application for training, the community college may enter into a formal contract with the company. The community college board of trustees must approve all final project agreements.

In 2004, Missouri changed its financing model. At the behest of Governor Bob Holden, the legislature approved SB 1155, establishing the JOBS NOW program. JOBS NOW allows two or more community colleges to arrange pooled bond issuance using the capacity of either the Missouri Higher Education Loan Authority or the Missouri Health and Education Facilities Authority. This pooled bond issuance is expected to lower the cost to each community college and generate a better bond rate due to the increased offering. This, in turn, may lower the overall cost of training, making it more attractive to employers.

JOBS NOW also provides new incentives for smaller companies that have shared training needs to participate in the MNJTP. It encourages them to join together to apply for training funds by granting collaborative applications a priority in funding. JOBS NOW also creates some flexibility in the yearly appropriation limit of \$12 million to maximize job training and new job creation.

RESULTS: *In April 2003, the Office of the State Auditor concluded that the MNJTP had a “positive economic impact” on Missouri, projecting 87,000 new jobs to be created between the program’s inception in 1991 and fiscal year 2010, along with a projected increase in state revenues associated with the program of over \$4 billion by 2012. As of September 2004, the MNJTP had contracts providing training for workers in 29,421 newly created jobs paying approximately \$19 per hour on average.*

Redesign of WIA Funding: Oregon’s Employer Workforce Training Fund

In Oregon, employer forums in 1999 and 2000 confirmed that business saw incumbent worker training as a key to making their companies more competitive—and that they wanted more state assistance in advancing the skills of their employees. However, as in many other states, state policy restricted the use of Oregon’s funding for workforce training to raise the skills of incumbent workers, and complex administrative procedures created additional barriers.

Oregon’s response was to earmark \$2 million per year of Workforce Investment Act funds for a three-year, employer-driven, initiative to train incumbent workers. Competition for the funding was hot, and employers’ response to the semi-annual RFP was so enthusiastic that, according to Cam Preus-Braly, Commissioner of Oregon’s Department of Community Colleges and Workforce Development, those who received awards matched the public funding with approximately \$18 million (including wages paid to trainees), a three-to-one ratio.

When Governor Ted Kulongoski came into office in 2003, he pushed for an even more innovative, stronger policy. After legislation he sponsored failed due to Oregon’s tough fiscal times, the governor issued an executive order establishing the Employer Workforce Training Fund (EWTF), and creating Regional Workforce Response Teams, a labor market-level structure for improving decisions on funding. This tripled funding for employer-driven incumbent worker training in the first year to \$6 million, required state agencies to promote coordination of resources and programs with the executive order’s goals, and gave responsibility to the Oregon Workforce Investment Board both to maximize coordination of federal, state, local, and private funds and to explore additional sources of funding. The executive order allocated funding for the first year and gave the Oregon Workforce Investment Board responsibility for future funding decisions.

The \$6 million came from Oregon’s WIA allocation, including Governor’s reserve (“15%”) funds and state set-aside Rapid Response (“25%”) funds. Use of the Rapid Response funds required additional policy innova-

tion. Because Rapid Response funds can only be used for devising and overseeing strategies rather than for training incumbent workers, Oregon received a U.S. Department of Labor waiver allowing the transfer of 50 percent of the state set-aside Rapid Response funds to the Governor’s Reserve Funds. Approval of the waiver increased funding for incumbent worker training and made the EWTF more flexible. In addition, the waiver enabled Oregon to use a single, blended funding stream for the initiative, which simplified administration at the state and regional levels. This made it much easier to explain the EWTF to employers, increasing the number of incumbent workers to be trained.

The executive order was also innovative in how it allocated first-year funding. It provided \$1.2 million for statewide initiatives, including research and development on program models that can help low-wage, low-skilled workers move up to better jobs, the documentation of the impact of these programs, and the dissemination of information on effective models. The Governor’s Strategic Reserve received \$900,000. The lion’s share, \$3.9 million, went to newly created Regional Workforce Response Teams to focus funding on good jobs in industries identified as regional priorities and to make the funding more responsive to employers.

RESULTS: *The executive order established 15 Regional Workforce Response Teams. These teams empower regional state agency representatives to make decisions on funding of employer proposals for training, giving each agency a seat at a table “belonging” to all of them. The teams provide a single point of contact, set regional priorities for the use of funding they control, and award grants to businesses. To make their decisions to fund training simpler and quicker, the executive order also replaced the previous semi-annual Request for Proposals process with an ongoing approval process.*

According to Employer Workforce Training Fund documents, regional funding is supporting projects at over 100 companies resulting in training for more than 5,500 workers. (For more information, see <http://legov.oregon.gov/WORKSOURCE/governormain.shtml>.) Funding for statewide initiatives is supporting projects such as the scale-up of Portland Community College’s Lean ESL program, in which Spanish speakers learn about lean manufacturing, to ten community colleges, as well as the initiation of Lean ESL projects at five businesses. In addition, EWTF stakeholders say that stronger partnerships have been forged between workforce and economic development on the regional level, employer relationships have “never been better,” and the melding of workforce and economic development has leveraged funds between the groups, stretching state and federal dollars in a more effective, more efficient system for workers and employers.



Structured and Ongoing Support from Industry: The Wisconsin Regional Training Partnership

The construction industry is projected to be critical to the economy of Milwaukee, Wisconsin, during the coming decade. Major projects on the city's horizon, for example, include power plants, utility lines, bridges, highways, tunnels, hospitals, and a variety of commercial and industrial developments. Public officials have leveraged this massive economic development effort by requiring a diverse workforce and by funding job training so Milwaukee residents can obtain the resulting good jobs. Their efforts, in combination with those of the Wisconsin Regional Training Partnership, have led to innovative funding for workforce development and diversity. A non-profit organization, WRTP, is managing the funding. WRTP has a strong track record working with industry as a workforce intermediary, bringing together multiple funding sources, brokering training, and meeting the needs of workers and their employers.

Two state agencies are funding workforce development and diversity. The Wisconsin Department of Transportation has awarded WRTP a contract of at least \$1.5 million to maximize workforce development and diversity in connection with highway construction. The Department of Workforce Development has initially committed \$50,000 for those who are ineligible for other training funds. The DWD is also working to maximize the flow of people who are eligible to use public funding to pay for training, as well as to provide staff support for assessments of trainees. State agency resources are augmented by a significant contribution that the building trades and contractor associations have agreed to provide to WRTP. For every hour worked on construction projects, two cents will go to a fund for workforce development and diversity. With this arrangement, the industry expects to contribute about \$340,000 per year once the program is fully implemented.

The funding will make it possible for the WRTP's Construction Center of Excellence to act as a central clearinghouse for the assessment, preparation, and placement of job seekers into construction industry jobs. It will also provide pre-employment training and offer apprenticeship preparation programs. The CCE is building a clear, easily accessible pipeline for careers in construction by recruiting candidates from a range of pools, such as the industry's out-of-work and apprenticeship candidate lists, workforce development agencies, educational institutions, and community-based partners.

RESULTS: *Policymakers have made Wisconsin's goals for workforce development and diversity a priority, and they have leveraged public investment in construction by providing funding for workforce development and diversity. Support for WRTP's Construction Center of Excellence pro-*

vides a long-term infrastructure for high-quality services that benefit the construction industry and workers with limited skills. The strategy has already achieved initial success. Twenty-two participants have graduated from the M-Trans construction training program's second class, and eight of nine participants in the program's first class are working in construction jobs. According to the Department of Transportation's Deputy Secretary Reuben Anthony, "The M-Trans program is a vital part of the governor's effort to help citizens find jobs that pay living wages" (Wisconsin Department of Transportation 2004).

Strengthening Workforce Development/Economic Development Linkages

"As you address economic issues this year, I also ask that you recognize the importance of investing in economic development. Like education, it provides some of the greatest returns on taxpayer dollars. We must invest in the projects, both incentives and infrastructure, that support our continued growth. We must retain and grow key industry sectors like manufacturing. We must prepare to move quickly to close deals that bring jobs to the people of Florida."

—Florida Governor Jeb Bush, Address to the Legislature, March 2, 2004

Historically, state governments have treated job training and economic development as distinct activities, only sometimes related through their connections to the labor market. This is due in part to differing missions: economic development is meant to attract, retain, and expand businesses; workforce development services are primarily designed to help unemployed workers find employment.

Some states have begun to recognize that strengthening the alignment between their economic priorities and their workforce development strategies addresses the need to recruit business and train the workforce better than either activity could individually. For these states, the pressures brought by an increasingly global economy have placed a premium on ensuring that the state's workforce development system provides the skills required by businesses.

Successful state efforts to bring economic development priorities into closer alignment with workforce development strategies share four characteristics:

- The governor or legislators take the lead. Because of the disruption that typically occurs when state agencies



must shift focus, resolute leadership from the top helps keep efforts to align economic and workforce development on course.

- Successful efforts target state resources to select industries. By definition, economic development agencies target firms that are expected to increase a state's economic vitality. Aligning workforce development strategies behind economic development priorities often means targeting select industries.
- They begin from the premise that workforce development *is* economic development, and that it is as vital to recruiting, retaining, and growing business as tax incentives and assistance with infrastructure.
- They help states to optimize finite funding and ensure that state agencies speak with a unified voice when they make their case that a skilled workforce will fuel business expansion.

The case study in the appendix demonstrates in more detail how the Kansas 1st plan and its champions brought economic and workforce development activities into closer alignment, to the benefit of workers, employers, and the state economy.

Aligning Economic Development, Workforce Development, and Higher Education: Kansas 1st and Resulting Reorganization

Many states seek to align economic development and workforce development through the integration of relevant programs and departments. As in the private sector, public-sector mergers, if done well, can yield efficiencies, but when done poorly, they can leave a state with costly turf battles, diminished services, and a dispirited workforce.

It is because Kansas has managed to thread the needle so well that its approach stands out. Moreover, Kansas is one of the few states to include higher education in its reorganization of economic development and workforce development. Furthermore, Kansas has never justified the creation of a more efficient system by the goal of cost cutting, a common premise for many mergers. Rather, the state has created a forum for institutionalized cooperation and partnership among the Department of Commerce, the Kansas Board of Regents, and the public workforce development system—and transferred resources to make this collaboration succeed.

Kansas's multi-pronged strategy of aligning the three critical sectors—education, economic, and workforce development—goes beyond departmental reorganization. It places departmental restructuring within a broad economic growth plan known as Kansas 1st. This dynamic planning process, championed by the governor and the lieutenant governor, resulted in the Kansas 1st blueprint, Executive Reorganization Order #31, and the

“State government can’t create jobs, but it must create a climate in which businesses can flourish. My administration is committed to improving the business climate so that Kansas can match any state and any country in the competition for new jobs and businesses. And we’re focused on creating an environment that encourages existing businesses to stay and grow.”

—Kansas Governor Kathleen Sebelius, State of the State Address, January 12, 2004

Kansas Economic Growth Act of 2004.

The Kansas 1st blueprint, developed at the Kansas Department of Commerce, became the strategic plan that integrated economic development, workforce development, and higher education together under the Kansas 1st umbrella. The blueprint laid out a plan to establish a new system that would carefully meld these previously separate entities into a demand-driven system focused on meeting employer needs for qualified employees.

Executive Reorganization Order #31, issued in January 2004, by Governor Kathleen Sebelius, centralized nearly all federal and state training resources in the state. The order transferred WIA, Wagner Peyser, and adult education funds for employment and training from the Employment and Training Division of the Department of Labor into the Kansas Department of Commerce, which already administered state funded training programs. The underlying premise was that efficiencies could be gained by making Commerce the single stop for the training needs of both workers and employers. As a result of the merger, the DOC's budget has grown from about \$20 million to about \$61 million.

Kansas brought community colleges into the equation by making the Board of Regents a vital partner. The goal was to create a seamless workforce development system, including a training environment more responsive to the state's economic development needs.

The Kansas Economic Growth Act, enacted in April 2004, followed, leading to a series of initiatives to advance the goals of Kansas 1st and the reorganization. These initiatives, administered by Commerce, capture ideas and directions gleaned in the planning process and incorporated into Kansas 1st. Over the next decade, Growth Act programs are expected to make more than “\$530 million in economic development incentives available through various funding mechanisms to grow emerging industries, serve existing employers, and support small businesses in urban and rural communities” (Kansas Department of Commerce 2004).

One outcome of the Kansas Economic Growth Act was the creation of the Workforce Development Trust

Fund that is deemed crucial to the success of Kansas 1st. It provides resources for the secretary of commerce to use to bring community and technical colleges into alignment with economic development goals. The fund is financed by diverting 10 percent of the annual appropriations for the state's worker training programs. Funds may be used for infrastructure, instructional development, or human resources.

A second approach to alignment promotes institutional partnerships. The Department of Commerce and the Board of Regents, following an idea proposed in the Kansas 1st blueprint, have co-funded an executive position—the Director for Workforce Training and Education—to be housed at the Board of Regents, with 75 percent of the position funded by the DOC and 25 percent funded by the Board of Regents. This position oversees collaborative training programs of the DOC, the Board of Regents, and the state and local WIBs. The first director has a community college background and will manage training and workforce development through the community colleges and the newly formed Centers of Excellence.

Another initiative that came out of the Kansas 1st blueprint is the creation of regional “Centers of Excellence.” These have replaced the traditional service areas and territories for workforce development with community colleges, instead encouraging community and technical colleges to specialize in certain areas of training and allowing them to extend their offerings outside their local jurisdictions.

RESULTS: *The Kansas First 1st and the resulting reorganization are in the early stages of implementation, so direct quantitative outcomes are not in evidence yet.*

However, changes are already underway. Anecdotal evidence testifies to the success of the new streamlined economic development system that was the goal of the Executive Reorganization Order #31. For example, when a manufacturing company approached the Kansas Department of Commerce for help in finding qualified employees and expanding operations, the DOC responded with a suite of customized services. The suite included support with capital needs, tax credits through the state's economic development programs, and most important, critical assistance with meeting short-term and long-term workforce needs. For its short-term workforce needs, the Kansas DOC is linking the company to the state's public workforce development system, helping with screening and matching workers to the company's requirements, and connecting the company to training providers. At the same time, the DOC, with the help of a tech prep coordinator, is assisting the company with its longer term workforce needs by creating an apprenticeship system that is linked to high schools.

Further, the initiatives stemming from the Kansas 1st

blueprint and the Kansas Economic Growth Act of 2004—for example, the creation of the new Workforce Development Fund, the regional Centers of Excellence at community colleges, and the position for workforce development co-funded by the DOC and Board of Regents—testify to the reform that is underway in building new working partnerships and dissolving barriers in order to create a more demand-driven system.

Uniting Programs Under One Agency: Michigan's Executive Order 2003-18

In October 2003, Michigan Governor Jennifer Granholm used Executive Order 2003-18 to combine most workforce, career, and economic development programs under a newly formed agency: the Department of Labor and Economic Growth. The executive order eliminated the Department of Career Development, which had housed most workforce and workforce-related education programs, and put federally funded programs (including WIA, TANF, and Wagner Peyser) and state-funded training programs together. Altogether, the reorganization involved eight executive departments and the Family Independence Agency, the state's welfare agency.

The governor charged this new agency with aligning: *policy* across economic development and workforce development; *management* in the execution of the policy agenda; and *resources* to ensure that all components of the department and the Michigan Economic Development Corporation work together to grow the state's economy and improve the skills of its workforce.

RESULTS: *Michigan Democratic Floor Leader Mark Schauer believes that the new agency will allow the state to be more “nimble and aggressive” in job development and will more efficiently use tax dollars by “eliminating overlap and streamlining job creation functions into a more integrated framework.”*

Institutionalized Partnerships: The Kentucky Workforce Alliance

In the late 1990s, Kentucky's governor, legislators, state agency directors, and community college system leaders recognized that the state had two mutually reinforcing problems. Businesses were reluctant to open up shop in the state for fear that they wouldn't be able to find a skilled workforce. And without the tax base that employment creates, it would be difficult to improve the adult education and workforce development systems that could prepare workers.

Policymakers made a commitment to expand adult and postsecondary education, targeting growth squarely on the goal of building a better skilled workforce. This mission, incorporated into state policy, required adult education designed to meet the needs of employers and

employees and delivered at the workplace.

To achieve this goal, Kentucky officials created the Workforce Alliance, an intergovernmental partnership of education, workforce development, and economic development that leverages the partners' funding, knowledge, capacity, and relationships. According to Chancellor Keith Bird of the Kentucky State Community and Technical College System, "The collaboration and cross-fertilization that result from working with these other agencies has been the key."

The Workforce Alliance's innovative financing structure for workplace education has promoted responsiveness, timeliness, and agility in decision-making and service delivery. Each of the Workforce Alliance's key partners commits funds on an annual basis to support workplace education projects, such as the Owensboro Mercy Health System, where \$177,000 of adult education funds, \$27,000 of economic development funds, matching company funds, and in-kind community college resources made it possible to assess and train over 1,000 employees who were paid for training time.

Funding is not pooled; instead, agencies maintain control over the use of their funding for projects the Workforce Alliance agrees to fund. According to one administrator, this approach permits the alliance to use each pot more efficiently, eliminates red tape, and brings down administrative costs. The Workforce Alliance speeds collaborative decision-making by bringing together partners regularly.

First funded in 2001 with \$500,000 from the Council on Postsecondary Education's Economic Development and Workforce Training Matching Fund, the Workforce Alliance receives funding from Kentucky Adult Education, the Kentucky Community and Technical College System, and the Cabinet for Economic Development. These commitments have increased, even though Kentucky has endured tough fiscal times. In FY 2002, the Workforce Alliance funded projects valued at \$856,000, an amount that rose to approximately \$1,100,000 the next year. The Workforce Alliance also leverages substantial employer contributions.

The net increase from 2002 to 2003 demonstrates the importance of community college and economic development funding. In comparison, the overall amount available for adult education in Kentucky declined slightly, from over \$23 million to approximately \$22.8 million during the same period.

RESULTS: *Even when Kentucky trimmed budgets in 2003, it maintained its commitment to workplace education as a fundamental strategy for raising the standard of living. In FY 2003, Workforce Alliance funded training for 10,000 workers, up from 7,400 the prior year.*

Recasting Workforce Development as Central to Economic Development: Florida's Workforce Innovations Act of 2000

Florida's Workforce Innovation Act of 2000 (WIA2000) consolidated state workforce programs under a single agency: the Agency for Workforce Innovation. The goal was to better meet the needs of employers and workers at all levels, from youth entering the workforce for the first time to workers needing specialized skills for jobs in high-growth industries (Workforce Florida, Inc. 2005).

The act also created Workforce Florida, Inc., the state's Workforce Investment Board; one of its guiding principles is "to coordinate the state's workforce and economic development strategies to advance a business climate that promotes the economic health of the state." To this end, Workforce Florida has partnered with Enterprise Florida, the state's economic development agency, to align their efforts.

Florida also has refashioned the image of the state WIB by promoting it as business-friendly, market-driven, and closely tied to the state's economic development agency. Another market-based innovation relates to the funding of regional WIBs. This is partially done through Career Advancement and Retention Challenge Grants, which are competitive awards given to regional WIBs for success in training people who are coming off welfare and into vital industries. These awards total \$3 to \$5 million per year.

The closer alignment between economic and workforce development mandated by WIA2000 helps to ensure that businesses can hire work-ready employees—and that the state's workers can upgrade their skills and obtain jobs that make them self-sufficient. Alignment and coordination extend up to the boards of both Enterprise Florida and Workforce Florida: representatives from each agency sit on the other's board. Moreover, each stage of Workforce Florida's three-stage strategy for advancing workers—"First Job/First Wages, Better Job/Better Wages, High Skills/High Wages"—is designed to meet the state's dual goal of improving its workforce and making its businesses more competitive. In particular, Enterprise Florida, Workforce Florida, and the Florida Economic Development Council partner to ensure that employers in targeted sectors have their workforce needs met in a timely manner.

RESULTS: *One example of the collaborative relationship between Florida's economic and workforce development activities is the recruitment of the Scripps Research Institute to Palm Beach County. In March 2003, the Workforce Alliance (the Palm Beach County Regional Workforce Board) partnered with Florida Atlantic University in Boca*



Raton to address the growing need for entry-level biotech workers. In October, Governor Jeb Bush announced that the Scripps Research Institute, based in La Jolla, California, had agreed to open a research facility in Palm Beach County, due in part to the partnership between the Workforce Alliance and FAU and the training program they had developed.

Since then, the Workforce Alliance, with the president and CEO of the Boca Raton Chamber of Commerce and many other chamber members and local business leaders, has collaborated with Scripps and FAU in expanding the biotech job-training curriculum to include several occupations on a career ladder for biotech and bioinformatics. State policymakers project that the research facility will create 6,500 jobs, generate \$1.6 billion in additional income, and add \$3.2 billion to the state's GDP over the next 15 years. In addition, it is estimated that 40,000 additional jobs will be created as a result of industry clustering around the research facility. (Sedore and Poole 2003, Keiler 2003)

In a second example, the Agency for Workforce Innovation recently funded over 40 customized labor market information projects for Florida's Regional Workforce Boards. These projects provide regional boards with a broader range of labor market data, including vacancy/hiring needs surveys, analyses of targeted industries and occupations, occupational commuting patterns, and GIS mapping by education level.

Building the Capacity of New Labor Market Institutions

Globalization, the increasing skill requirements for the fastest growing and best paying jobs, the disappearance of internal job ladders, and the exiting of a generation of skilled workers from the labor market all combine to complicate the task for states as they try to match job seekers with employers. A new type of organization, the workforce intermediary, has emerged to help close gaps between what the public system can provide and what workers and employers need. Such organizations—sometimes referred to as workforce intermediaries or industry partnerships—organize key stakeholders and resources to help workers gain the skills they need and to help businesses access the skilled labor they need. Workforce intermediaries take many organizational forms, from employer associations and labor-management partnerships, to community-based organizations and workforce boards, but they all share a common set of characteristics. They are mission-driven, highly entrepreneurial, and very nimble and adaptable, changing strategies, programs, and focus to respond to rapidly changing labor markets.

Some states have begun to recognize the value of workforce intermediaries as a complement to the services provided by publicly funded workforce development sys-

tems. These states have funded the creation and expansion of workforce intermediaries to perform a variety of functions—from organizing regional labor markets, to partnering with higher education to create curricula and provide training, to coordinating across various state agencies to minimize duplication of effort and maximize the efficiency of scarce training dollars.

At its core, state support for workforce intermediaries involves certain key principles. States have benefited most when their support promotes intermediaries that:

- Pursue a “dual customer approach,” serving businesses seeking qualified workers and job-seekers and workers seeking to advance their careers;
- Organize multiple partners and funding streams around common goals, bringing together businesses, labor unions, educational institutions, social service agencies, and other providers to design and implement programs and policies to improve labor market outcomes;
- Provide or broker labor market services that go beyond recruitment and referral, pursuing strategies that help workers advance based on understanding the special needs, and gaining the trust, of employers;
- Provide services for all workers, while recognizing the special needs of low-skilled, low-wage workers; and
- Improve outcomes for firms and workers by catalyzing improvements in public systems and business employment practices.

The examples that follow illustrate how states have used these key principles successfully to support workforce intermediaries. The case study in the appendix presents the story of the Washington Skill Panels in more detail.

Sector-Based Approaches: Washington's Skill Panels

At the beginning of the decade, Washington State identified the shortage of skilled workers as the largest barrier to business expansion. Employer focus groups, industry association newsletters, and several surveys confirmed what policymakers were hearing from their constituents: there was a disconnect between what industries needed and what the public workforce development system provided. In 2001, to address this skill shortage, the state began to create a network of workforce intermediaries called Skill Panels. Each panel is a non-traditional alliance that takes a sector or industry-based approach to workforce development, thereby augmenting the resources and capabilities of the state's regional workforce boards, which are part of the Skills Panels and, in some cases, provide their leadership.

Skill Panels are regional public-private partnerships among public sector, labor, education, and business rep-



representatives from a specific industry and the cluster of companies within it. The Skill Panels are intended to provide workers with better training and career opportunities and employers with a more efficient and more productive workforce. Policymakers view Skill Panels as intermediaries comprised of key labor market players that collaborate to support a targeted industry considered vital to a region's economy. This local, industry-based collaboration allows each of the Skill Panels to broker training services designed to the specific needs of local industry. The Skill Panels encourage knowledge sharing among those key players, who are responsible for making policy recommendations regarding a region's competitiveness. In addition, by conducting labor market analyses that assess ever-changing skill needs, Skill Panels assist industries in implementing appropriate strategies, including targeted job training, curriculum development, business recruitment, and the provision of labor market information.

Although the strategies and tools adopted by the Skill Panels vary by region and industry, each typically includes 15 to 20 business representatives of a particular industry, representing companies with as few as 50 employees to those as large as Boeing and Microsoft. About 300 companies are represented on 21 panels in health care, construction, IT, manufacturing, marine and industrial safety training, game software development, energy, and electronics. Panel representatives are decision-makers within their companies—chief executive officers, chief financial officers, human resource directors, plant managers, supervisors.

By creating partnerships that include education, Skill Panels can customize local training efforts to meet the needs of employers and provide workers with skills that are in high demand. Skill Panels also increase the influence of employers and workers in local workforce development decisions, including how industry priorities are met, what training is offered, and how training is delivered. Each Skill Panel is coordinated by a community college, a local workforce board, or some other workforce intermediary that provides the staff support for the panel. The Washington State Workforce Training and Education Coordinating Board (the Workforce Board) provides each Skill Panel with funding that, in turn, leverages financial support from other public and private sources.

RESULTS: *Industry skill panels currently benefit from the participation of 299 businesses, 14 business/trade associations, 12 workforce development councils, 24 labor organizations, 47 community and technical colleges and skill centers, 18 school districts, 8 public universities, 10 private universities, 8 private career schools, and 5 economic development councils and ports.*

Since 2001, Skill Panels have:

- *Contributed to curriculum development for customized training benefiting at least 4,000 workers in the health care, information technology, construction, manufacturing, and agriculture/food processing clusters;*
- *Initiated labor-management committees to create the nation's first four health care apprenticeships;*
- *Developed a construction industry career ladder;*
- *Created new upgrade training options, such as LPN to RN, using distance learning programs;*
- *Created a free online internship system (Internmatch) in IT;*
- *Supported two construction apprenticeship demonstration projects; and*
- *Created Vocational ESL curricula for construction and health care workers.*

State Funding for Workforce Intermediaries: Pennsylvania's Incumbent Worker Training Fund

In 2004, his first year in office, Pennsylvania Governor Ed Rendell took a variety of steps to address the state's economic problems. First, he appointed executives to the state WIB and the Department of Workforce Development's Division of Labor and Industry who promised to carry out systemic reforms while using more entrepreneurial approaches. Rendell underscored his commitment to developing the workforce by allocating approximately \$5 million from a combination of WIA funds, economic development funds, and state appropriation to the creation of an Incumbent Worker Training Fund to finance industry-based intermediaries throughout Pennsylvania, administered by the DLI.

DLI's guidelines for proposals, issued in summer 2004, are groundbreaking in a number of ways. First, they acknowledge the critical link between productivity and skill development, citing workforce skills as "a key component of an innovation-focused strategy," the implementation of which "depends on workers who can translate . . . ideas into practice" (Commonwealth of Pennsylvania 2004). Second, the proposals stipulate the award of funds only to consortia of employers from an industry cluster and including, where possible, worker representatives. Proposals must also demonstrate an understanding of career advancement pathways, both within and between firms in the targeted industry. Finally, eligible applicants include regional workforce intermediaries, such as regional workforce investment boards, labor-management partnerships, and non-profit organizations.

Perhaps the most innovative requirement is that grant recipients be accountable for improving a worker's ability to advance. Applicants must address how interme-

diaries will align training and education with potential career ladders and advancement opportunities, with preference going to programs that provide training leading to portable, industry-recognized credentials. Preference goes, too, to proposals offering education and training that provides credits or credentials linked to higher education institutions and those demonstrating beneficial effects on wages and career advancement opportunities.

RESULTS: *While funds have yet to be awarded, the DLI anticipates that funds will be used to support industry-based intermediaries to sustain existing intermediaries, build new intermediaries, and provide technical assistance to the state's local WIBs to improve their roles as industry intermediaries.*

Supporting Community Colleges as Intermediaries: North Carolina's Community College System

The North Carolina Community College System has long been a powerhouse in workforce development. Since 1961, when Governor Terry Sanford merged the community colleges and Industrial Education Centers into a single system, employers have used the system as the state's primary job-training provider. One of the most successful efforts is the New and Expanding Industrial Training Program; established in 1958, it provides free, customized training to firms creating 12 or more new jobs. Another example is the system's program for Workforce Continuing Education, which provides short-term skill training for new and incumbent workers.

In 1995, the North Carolina Legislature codified what had been common practice throughout the state: it made community colleges the primary delivery systems for workforce development. In line with this mission, community colleges began receiving federal TANF funds in 1998 to develop short-term career training that combined remedial training with job readiness and occupational skills in the Career Pathways initiative, a TANF-funded program designed to combine basic skills development with occupational training. The North Carolina Community College System also redeployed adult literacy funds from WIA Title II to support the Pathways initiative.

RESULTS: *Beyond serving as North Carolina's primary job-training providers, community colleges have filled intermediary roles in a number of ways. For example, Guilford Technical Community College has designed demand-driven training programs for economically disadvantaged adults. It has created links to local public agencies and community-based organizations to help its students get the support services they need to remain enrolled, and it has created partnerships with local employers, who provide employment and internship opportunities (Alssid 2002).*

Expanding Community College Capacity

As comprehensive, "universal access" institutions, community colleges can meet the needs of employers and help low-skilled workers to advance. However, low-income workers face significant barriers to attending and succeeding in postsecondary education. For example, they are often unable to attend or stay in traditional programs due to the multiple demands of one or more jobs and family responsibilities. Often their participation is limited to short-term, employer-sponsored occupational training, disconnected from academic credentials. Innovations in community college financing, student financial aid, and program structure and delivery that address these barriers can go a long way in helping low-wage workers access education.

Policies that help states serve working adults share these principles:

- They recognize that an increasing number of community colleges consider workforce development as a core mission, in addition to their traditional role as a stepping stone to four-year colleges. These colleges are driven by a greater outsourcing of training by businesses, by workers' needs to continually upgrade skills, and by a general trend toward greater educational attainment. The new role requires greater attention to the needs of working adults and employers and a better understanding of the labor market and local and state economic development imperatives.
- They address the barriers most commonly faced by working adult students: constraints of place and time. For example, distance learning and financial aid for part-time workers acknowledge that the usual policies, formulated for more traditional learning environments, may discourage institutions from serving non-traditional working students.
- By providing incentives through existing or new sources of funding, states can encourage institutions to better serve working adults. Financing is a critical area for policy change because it is how many states mostly directly influence institutions.

The case study in the appendix presents Kentucky's reforms in more detail.

Valuing Non-Credit Learning: Oregon's Community College Funding Formula

The financing of community colleges is typically based on full-time equivalent (FTE) enrollment. In most cases, states reimburse colleges on an FTE basis only for students enrolled in academic programs, and less or not at all for students in non-credit workforce training programs. Reimbursement policy can discourage colleges from serv-

ing adult learners who attend college part time or who are enrolled in non-credit workforce training programs.

Oregon reimburses community colleges in a way that fairly recognizes their role in serving working adults. It funds non-credit programs (development education and adult education) at the same rate as credit programs, part-time students at an amount proportional to full-time students. Colleges tally the aggregate amount of time that students spend at the college, with 510 hours translating as one FTE, regardless of the type of course or the number of hours in a course. The “510 hours Divisor,” as it is called, acts as a great leveler, giving the system has an incentive to expand its adult basic and part-time offerings. Costs for programs that are more expensive, such as technical courses with lab work, are offset by the greater number of hours that can be billed for such courses.

Oregon has had this formula in place for almost as long as the community college system has had a mission of comprehensive education—for nearly 40 years. Increased demand for ESOL and other adult education programs has kept the formula in place, although pressures to drive funding toward more competitive academic programs have surfaced time and again. At one point, the state legislature considered a formula that would have assigned values to non-credit programs at a designated fraction of academic programs. That was seen as inadequate: it would have continued the under-valuation of some courses relative to academic programs, running counter to the community college goal of enhancing access to all students.

RESULTS: *Enrollment in non-academic programs in Oregon community colleges has typically been robust, due in large part to the state’s funding formula. In 1999-2000, nearly 32 percent of the total FTE generated in Oregon community colleges was from non-credit courses; a decade ago the figure was 26 percent.*

Financial Aid for Less-Than-Half-Time Students: Illinois Monetary Award Program

Adult learners, loosely defined as students over 24 years old, make up 30 to 40 percent of the student body in most community colleges. These students often work in low-wage occupations, support families, and attend college to improve their economic situation. Because of work and family constraints, these students typically attend college on a less-than-half-time basis; as such, they have not qualified for financial aid.

Since 1999, Illinois has made students attending college less than half time eligible for the Monetary Award Program, an undergraduate, need-based grant program created in 1974. Students can use the funds for tuition and fee assistance at MAP-approved educational institutions, including community colleges. Financial need is

determined based on tuition and mandatory fees, plus \$4,700 per year for living expenses. The legislature has provided about \$2 million per year.

RESULTS: *In 1999, the first year of the pilot program, 1,667 students attending community college less than half time received assistance through MAP. While the direct impact of this assistance on decisions to attend college cannot be determined, MAP serves a population that typically includes a high proportion of people who are not able to attend college. Of those students who received MAP assistance, 73 percent returned for at least one term. Community college administrators report that MAP assistance for less than half time students has increased enrollment and persistence for working adult learners (Illinois Student Aid Commission 2001).*

Incentives for New Forms of Training Delivery: New Mexico’s Distance Learning Program

State higher education systems are facing the challenges posed by the growing body of non-traditional, low-income adults in community colleges—students who work full time, who juggle multiple responsibilities, and who are often place-bound by their jobs and lack of transportation. Such students cannot easily participate and stay in traditional academic programs. Their access to education is often impeded by state policies, especially those dealing with program delivery, that were formulated for traditional learning environments. States have begun to look at alternatives to help address these barriers. A valuable tool is distance learning, encompassing the use of the Internet and a variety of other technologies and program delivery methods.

In the late 1990s, New Mexico began experimenting with distance learning to assist the growing body of non-traditional, low-income adult learners in community colleges. This required the state to revisit and change its funding policy.

New Mexico community colleges operate on a formula that directs half of funding to instructional costs, the other toward general administration (e.g., academic support, tutoring, student support, research office). In the traditional formula, the state did not fund distance learning programs at the same rate as traditional, “on-campus” programs. As a result, colleges had little or no incentive to extend services to place-bound adult learners. The assumption was that it cost less to deliver distance learning (which included satellite and Web-based instruction, as well as courses that colleges offered outside their main campuses and service areas). The allocation formula provided only up to about 65 percent of the actual cost of delivery for distance learning programs. In 1999, after the earliest Web programs were established, New Mexico began to fund Web-based instruction at 100 percent of cost.



However, the revision to the funding formula still precluded other distance learning mechanisms—for example, when community colleges go outside their taxing district or offer “extended services” to meet demand for certain courses. This was a considerable barrier to community colleges in a largely rural state served by 18 institutions. In 2002, the state revisited the issue. At the urging of the legislature, a taskforce initiated by the New Mexico Commission on Higher Education began to study the higher education formula. The taskforce was composed of representatives of two-year and four-year institutions, legislators, and the New Mexico Association of Community Colleges; a well-respected retired community member chaired the group.

The taskforce challenged the traditional idea that distance delivery was cheaper. It presented recalculated appropriations based on 100 percent funding of all distance learning efforts. In 2002, the state legislature approved the new appropriations, effectively assuring the change in distance learning policy and removing one disincentive for community colleges to increase access.

RESULTS: *Enrollment in distance learning in New Mexico postsecondary institutions has grown significantly since the change in the funding formula. In spring 2004, New Mexico community colleges had approximately 2,430 students in “extended service” programs, nearly double the spring 2000 enrollment of, 1,280.*

Responding to Customer Needs: The Kentucky Community and Technical College System

States realize the importance of a skilled workforce, and they turn to community colleges to promote economic development. But community colleges must balance the needs of different customers—students, workers, employers. Meeting the training needs of employers in a timely fashion requires flexibility and agility. At the same time, workers have to be helped to gain higher academic credentials if the state is to create a skilled workforce for the long run. This a tall order for community college systems, but some states are successfully pursuing strategies toward this end.

Between 1997 and 2000, Kentucky launched a series of reforms that were designed to make the Kentucky Community and Technical College System (KCTCS) more responsive to the training and skill needs of employers and working adults:

- *Rapid course and program approval.* A KCTCS institution can get approval for a new course in a matter of months, rather than the year or more it would traditionally take, by launching a pilot launched while final approval is pending. According to a systems administrator, this “allows us to meet community needs quickly.

...It is a mechanism to get industry certificates without losing time moving through all the channels.”

- *Academic credit for workforce training.* Students can convert non-credit workforce training credits into academic credits that lead to a degree.
- *Fractional credits.* KCTCS allows the awarding of fractional credit, making it easy to customize courses to meet the specific needs of a workplace. Courses may provide as little as 0.2 credit hours.
- *Incentives to develop and offer for-credit workforce development courses.* To encourage the creation of for-credit workforce development courses, KCTCS allows community colleges to set and keep the revenue from course fees, typically paid by employers. Revenue from for-credit courses is recognized as tuition, up to the system-wide cost per credit. Revenue above that amount is recognized by the community college as a “Customized Course Charge.”

Each of these policies is innovative in itself, even if some of them are in the early stages of implementation. Taken together, they provide a powerful vehicle for the state to meet needs on both sides of the labor market: low-wage workers and employers.

Moreover, Kentucky has established a new structure to govern and operate community colleges, with new entities that provide a coherent governance structure for two-year institutions and make it possible to both mandate and implement the many changes in operating policies. The Council for Post Secondary Education oversees programs and facilitates student transfer of credit, and it guards against unnecessary duplication by coordinating program offerings at institutions. The Kentucky Community and Technical College System itself was also created, bringing together sixteen community colleges and thirteen technical colleges under one umbrella.

RESULTS: *Between 1998 and 2004, KCTCS established 1,000 new academic and technical programs. Working students, and students in general, have benefited from the greater number of course offerings and from links between modular training components and credit-bearing academic courses. The number of students served by the institutions as a result of these and other policies has increased by 58 percent since 1998 to more than 80,000 in 2004. There is greater satisfaction among employers, a substantial increase in revenue resulting from employers’ payments, and support by employers of fundraising efforts and budget requests. Benefits to college faculty include greater satisfaction with the course approval process, increased creativity, better relationships with and increased support from employers, and better labor market outcomes for students.*

Part II.

Drivers of Change

For most of the examples in this handbook, the desire to change has come from a critical need to improve the competitiveness of the workforce or to otherwise meet the education and training needs of employers. The state faced a financial crisis or had reason to believe that, under existing conditions, it would be unable to meet the growing need for skilled workers. Occasionally, this recognition was all that was needed to get the state to act, sometimes very quickly.

Despite the severity of the need, though, some of the policies described here would never have been adopted or implemented without a champion to move the process forward and, in some cases, ensure that a proposal would make it through every step of the process. In most cases, the champion was a high state official—the governor, a legislator, an agency head.

Severe Need

Economic challenges frequently push states to reconsider their investments in workforce development. Dire economic projections, increased demand for skilled labor, low educational attainment among state residents, and the need to attract new jobs when industry changes occur are often sufficient to drive change.

Changing Industry Base and the Need to Attract New Jobs: Iowa's New Job Training Act

Iowa's economy struggled throughout the 1980s, with the failure of thousands of family farms and the ensuing ripple effect that closed thousands of businesses dependent on the farming industry. Policymakers divided their time and diminishing resources between meeting the needs of the growing number of unemployed and stemming the flow of jobs and workers out of the state.

From the beginning, policymakers were motivated to address the outflow of jobs from the state and the rapidly expanding numbers of unemployed farmers. Thus, it was relatively easy to rally support for the New Jobs Training Act, which provides worker training for new jobs through bond financing. Legislators, bond attorneys, and the community college system were galvanized to act and committed themselves to moving the process along. Others easily recruited for their support included the business community, state agencies, and then-Governor Terry Branstad's administration.

Dire Projections: Pennsylvania's Manufacturing Sector Incumbent Worker Training Program

A 2003 report depicted Pennsylvania on the brink of economic catastrophe (Brookings Institution 2003). Its litany of problems rang alarm bells throughout state gov-

ernment: an aging population, hollowed-out city centers, and the growth of low-income neighborhoods surrounding shuttered businesses, to name a few. The report challenged the state to leverage its many strengths—world-class universities and hospitals, a still-solid manufacturing base, natural resources—or adapt to steep economic decline. The result was the Manufacturing Sector Incumbent Worker Training Program, created to support the efforts of workforce intermediaries to strengthen the state's economic base.

Increased Demand for Skilled Labor: Washington State's Skill Panels

An economic development imperative led Washington policymakers to reconsider the structure of workforce development. Rapid technological change in production methods throughout the 1990s brought with it the requirement that workers, at every occupational level, upgrade their skills, even in industries typically characterized as being “low-tech,” such as agriculture and food processing. By 2000, a trend had emerged: the state was losing many of its best paying jobs as firms moved out of state or out of the country.

A survey of Washington employers conducted in 2001 found that, among those attempting to hire, 48 percent of construction firms, 47 percent of high-tech firms, and 60 percent of manufacturing firms reported difficulty in finding qualified applicants (Workforce Training and Education Coordinating Board 2002). When those same employers were asked about the steps that they took to address the difficulty in finding skilled workers, 67 percent said they had hired a less qualified applicant and 48 percent had not filled the opening. As a result, 63 percent reported reductions in production out-



put. Across all major industry groups, 25 percent of employers outsourced jobs when they were unable to find qualified applicants. The numbers were even starker when employers were asked to identify the types of skills that were hardest to find: of those attempting to hire in 2003, 91 percent stated that they had difficulty in finding applicants with occupational-specific skills.

To remain competitive, Washington needed a strategy that would both increase its investment in training its workforce and fundamentally change how the public workforce development system operated. The result was the network of workforce intermediaries known in Washington as Skill Panels.

Low Educational Achievement: The Kentucky Community and Technical College System

In 1997, then-Governor Paul Patton saw Kentucky's dual problems of low levels of adult literacy and poor business attraction as mutually reinforcing. Businesses were reluctant to open up shop in Kentucky for fear that they wouldn't find a skilled workforce. At that time, the state ranked 42nd in per capita income. A survey of adult literacy in Kentucky found that roughly 40 percent of the adult working population functioned at low levels of literacy, and Kentucky ranked last in the nation in the percentage of students with a high school diploma.

The impact of Kentucky's workforce crisis was evident in the state's poor economic performance. Per capita income declined from 1970 to 1995, even as it rose for the Southeast as a whole to 91.2 percent of the national average. The recession of the early 1980s took a further toll on Kentucky and continued into the 1990s. The state budget was cut 12 times between 1981 and 1994—more often than in any other state.

It became clear that Kentucky's low level of skill and educational attainment was a serious liability and a large part of the reason the state was being left behind in the knowledge-based economy. This realization led directly to the creation of the Kentucky Community and Technical College System.

Champions

Several states want to improve their economic vitality through strengthening their workforce development systems, but views often conflict on how to get there. Proposed changes can be expensive, not just in terms of the public's tax dollars but also in terms of the political capital of key individuals who help to drive the process. In many cases, "policy champions" are critical for moving the process forward to adoption and to the implementation of new policies. They also communicate a forward-thinking vision and help others rise above the existing way of doing business. These champions often work in

the public sector—governors, legislators, agency leaders—but they can also emerge from the private or non-profit sectors.

Governors: Leadership in Kentucky, Michigan, Pennsylvania

Governors frequently use their "bully pulpit" to bring about policy change. A number of governors have recognized a role for government in maximizing the potential of the labor force as a route to helping a state compete in a global economy.

Both Kentucky's Paul Patton and Michigan's Jennifer Granholm used the office to lay out a vision for new policies and structures, then did the hard work to bring that vision to fruition. In Granholm's view, workforce development was of paramount importance for meeting economic development needs, and she used Executive Order 2003-18 to restructure agencies to strengthen that linkage. To reform the higher education system, particularly the community and technical colleges, Patton's approach was to engage stakeholders in the process and find ways for those with differing opinions to find common ground. This led to the creation of the Kentucky Community and Technical College System.

"The only way we can change the course of this state's future, build a healthy economy, and increase our revenue base for the long term is to invest in education. We can do it, and for the sake of our children, we must do it. But first, we must change the way our colleges and universities work."

—Governor Paul Patton, Address to the Kentucky General Assembly, May 12, 1997

Ed Rendell used his position as a newly elected governor to stress the critical issues facing Pennsylvania's economy and the importance of acting quickly to create industry partnerships (workforce intermediaries). Gov. Rendell found a ready audience, but Oregon Governor Ted Kulongoski faced greater resistance. Kulongoski sponsored legislation to significantly increase funding for employer-driven training initiatives and to move decision-making to the regional level; when the legislature did not enact the proposal, the governor established the Employer Workforce Training Fund by executive order.

Legislators: Florida's WIA2000

State legislators are important leaders of policy change. In Florida, many factors were driving an effort to establish a new structure for workforce development, including longstanding frustration with duplication within the state's workforce development system, the lack of accountability, and the desire to improve the state's training and job placement efforts. Without the strong sup-



port from and hard work of state legislators, however, real progress might never have succeeded. Then-Senate President Toni Jennings created a task force to investigate ways to consolidate authority over all workforce development programs under the Agency for Workforce Innovation, while delegating authority down to the local board level. The resulting WIA2000 legislation, sponsored by Senator Jim King, passed with widespread bipartisan support.

State Agencies: Missouri Learns from Iowa

Leaders of state agencies can be the champions for new workforce development policies. In Missouri, the drive for change received a boost when a key player in establishing Iowa's New Job Training Program became the Chancellor of the Missouri Community College System. And he found an ally: the director of the Missouri Department of Economic Development possessed a keen understanding of the state legislative process. The two began to work together to adapt the Iowa model for Missouri, and they championed the new bond financing policy, the Missouri Community College New Job Training Program.

Private-Sector Champions: Different Routes in Washington, Kentucky, and Kansas

The private sector can provide important champions. In Washington, a policy advisor to the governor teamed up with a private-sector industry consultant to build a case for skill panels. The two collaborated to convene panels of employers and workers to speak to the need for targeting state resources to vital industries.

In Kentucky, it was not individuals but rather a non-partisan coalition of business and educational organizations that played the leadership role. Job QuEST called for education reform at all levels, and its statewide rallies and leverage of media coverage provided critical support to the governor's reform agenda. The result: the Kentucky Post Secondary Education Improvement Act of 1997.

In Kansas, a critical actor behind Kansas 1st and the Economic Growth Act 2004 was Lieutenant Governor

John Moore, but he began his involvement with state workforce development in 1986, when he was an executive with Cessna, one of the state's largest employers. An influential champion, Moore was a consistent, effective advocate for workforce reorganization throughout the planning process. Workforce and economic development reorganization efforts received fresh impetus upon his assuming office along with Governor Kathleen Sebelius in 2002. Restructuring became a critical component of the new administration's overall economic growth plan, which was introduced in October 2003.

Research-Advocacy Champions: Bolstering Adult Basic Education in Massachusetts

In December 2000, the Massachusetts Institute for a New Commonwealth (MassINC), an independent research and public policy organization, undertook a major research effort on the challenge of adult education, culminating in the publication of *New Skills for a New Economy: Adult Education's Key Role in Sustaining Economic Growth and Expanding Opportunity*. The report found that Massachusetts had 195,000 immigrants with limited English-speaking skills, 280,000 high school dropouts, and 667,000 workers who have a high school credential but limited skills needed in the modern workplace. MassINC's research highlighted the state's challenge in maintaining both economic competitiveness and a high quality of life for all of its citizens.

Following on its research and report, MassINC joined forces with advocates for strengthening adult basic education and launched a major statewide education and advocacy campaign that, among other things, advocated for increased funding to eliminate the long waiting lists for adult basic education services, create a new funding model for ABE, increase the accountability of the ABE system, and link basic skills instruction to the workplace. As a result, funding for ABE, which faced drastic cuts in 2001, increased to \$26.6 million that year from \$25.8 million in 2000, and it has remained at approximately this level since then.

Part III.

Challenges to Innovation

Even with the strongest incentives, major policy changes are very difficult to achieve. States have been creative and strategic in finding ways to overcome a variety of obstacles, including turf battles, the complex array of funding streams, and inertia.



Turf Battles

Significant change in a state's workforce development system often requires significantly restructuring several agencies, moving control to outside organizations, or pooling funding streams from various sources. Such changes are often extraordinarily difficult to achieve because of turf battles: the fear of losing existing authority and control and the fear of potential job losses from consolidation and private oversight. Effective responses include engaging all stakeholders to reach consensus, finding compromises that move the process forward, and mobilizing grassroots support.

Engaging Stakeholders in the Process: Building Consensus in Kansas and Massachusetts

To build statewide consensus for Kansas 1st and Executive Order #31, the Kansas Department of Commerce, under the leadership of Lt. Gov. Moore, convened meetings of critical stakeholders. In this way, early in the planning process he brought in key actors in workforce development, including the Kansas Departments of Commerce and Labor, the Board of Regents, representatives of colleges and universities, and the state and local Workforce Investment Boards, which represented the employer community. Because Gov. Sebelius's plan required the Department of Labor to cede programs and funding to the Department of Commerce, she also met privately with the head of the DOL to build support for the plan.

In Massachusetts, stakeholder engagement did not just gain buy-in; it also involved stakeholders in the decision-making process. Over the course of a year, representatives of many agencies and other entities met to create a plan for the state. These players included the Department of Workforce Development, the former Division of Employment and Training (now Division of Career Services, and Division of Unemployment Assistance), the Department of Transitional Assistance, and Commonwealth Corporation. Together they helped to design the final model for the BEST Initiative. In addition, as BEST rolled out, Commonwealth

Corporation facilitated a process whereby all funding partners participated in decision-making about program implementation. In return, agency representatives modified their own policies to support the initiative, making it possible for up to 10 percent of their funding to be used as flexible spending for BEST.

Compromise: Finding Common Ground in Missouri, Kentucky, and Florida

Even when it is clear that a major restructuring needs to take place, consensus is not always possible. Instead, policy champions seek compromises that satisfy the needs of key players without diluting the effect of the proposed policies.

In Missouri, the primary barrier to the New Jobs Training Program came from the differing viewpoints of the Department of Economic Development and the Community College Association about which could better control, administer, and deliver training. Conflict arose over such issues as administrative costs and the DED's ability to approve projects. Ultimately, the legislature weighed in and agreed to pass the bill if a compromise could be devised that leveraged each agency's strengths. They did: the DED has the authority to approve all projects, each of which needs to meet specific wage levels and target industries in which the state either held a competitive advantage or in which it would like to expand. The community college system serves as the program intermediary, both administering the program and delivering training.

Michigan Governor Jennifer Granholm used an executive order that combined agencies involved with workforce development and economic development and effectively eliminated the Department of Career Development. Opposition to the executive order centered around concerns that an imbalance favoring workers over employers would result from the elimination of the business-dominated Workers Compensation Appellate Commission and its replacement with a two-member board of appellate magistrates, one representing business and the other workers (with ties to be broken by the governor). After working with legislators and taking

into consideration the concerns of the state Chamber of Commerce, Gov. Granholm revised the executive order, which went into effect in December 2003, creating a five-member board appointed by the governor.

Strong opposition from the University of Kentucky, which was then responsible for community colleges, threatened to derail that state's plans to reform higher education. Some community colleges also opposed the reform on the grounds that it would take away funding and lower the quality of the institutions. Gov. Patton addressed both issues by promising additional funding for the system under the plan and by making some concessions to ensure a continuing role for the University of Kentucky. The 1997 Post Secondary Education Improvement Act authorized the university to monitor program quality and continue providing library, financial aid, and other services for a fee. Certain degrees continued to carry the University of Kentucky name until 2004.

In Florida, public-sector unions opposed some provisions of WIA2000 legislation. The issue was that the privately managed One-Stop centers would exercise some authority over Employment Service personnel, who, according to federal law, must be public employees. As in most states, Florida's public employees are unionized and protected by their contract with the state. The state employee unions feared that the legislation would weaken their collective bargaining units. As a compromise, the unions agreed that the private One-Stops could have some oversight of Employment Service staff, as long as the staff were employed by and under the ultimate authority of the Agency for Workforce Innovation.

Mobilizing Grassroots Support: Grassroots Allies in Kentucky and Washington

Reaching consensus can be difficult and time consuming, and compromise and concessions can undermine significant progress. Instead of insisting that the agencies find workable solutions, some states have made the case another way. By harnessing the power of the private sector and mobilizing grassroots support for change, states can get legislatures—and even the agencies themselves—to act.

Pressure from the private sector helped to change minds in Kentucky about the need for reform. Gov. Patton began early on to make the case for higher education reform to businesses and communities. Job QuEST, a coalition of nonpartisan business and educational organizations, called for education reform at all levels and provided critical support to the governor's reform agenda. It held a series of statewide rallies, generated grassroots and media support, and provided employers to testify before legislative committees about their challenges in finding qualified workers. Job QuEST's vocal support for Gov. Patton's plan was critical for getting leg-

islators and others in state government to approve of the Postsecondary Education Improvement Act of 1997.

In Washington, private-sector influence was instrumental in bringing about the Skill Panels. For years, various state agencies had funded job training, often with significant overlap in their objectives and the populations they served. This array of programs inevitably led to duplication of effort and, perhaps more important, disaffection from employers who complained of red tape and too many contacts from state programs. The first task of the policy champions was to convince the key players from the various state agencies to meet with industry and labor leaders to discuss common objectives.

Initial activities involved convening panels of employers and workers to testify about the issue of skill shortages. Employers spoke of the resulting decline in productivity, the increasing need for overtime as vacancies went unfilled, and the need to outsource jobs. Workers spoke to their difficulties in advancing to better paid jobs and their fears of losing their jobs as their skills became obsolete. With the support of the community college system and organized labor, the champions brought this story to the legislature, presenting a clear message that Washington's economic vitality was inextricably bound to the skills of its workforce. The result was bipartisan support for the Skill Panels.

Complex Funding Streams

Many states have made systemic changes because they see beyond a rigid, "silo" structure that results from multiple funding streams and their various requirements.

Waivers to Achieve Greater Flexibility of Resources: Oregon Gets Help from DC

Oregon was initially constrained from moving ahead with its Employer Workforce Training Fund because it could not use WIA Rapid Response dollars for training incumbent workers. The Oregon Workforce Investment Board applied for and received a U.S. Department of Labor waiver that allowed the transfer of 50 percent of the state set-aside Rapid Response funds to the Governor's Reserve Funds. Approval of the waiver enabled Oregon to use a single, blended funding stream for the Employer Workforce Training Fund, simplifying administration at the state and regional levels by making it possible to have one account, rather than keeping funds and allowable uses separate. The waiver also made it much easier to explain the fund to employers, increasing the number of incumbent workers to be trained.

Coordination of Planning Among Oversight Agencies: Washington Gains Flexibility

Washington achieves greater flexibility in its use of funds through coordinated planning by all four agencies

involved with training. The Workforce Training and Education Coordinating Board administers the Skill Panel funds with the state's Community Trade and Economic Development Agency, the Employment Security Department, and the Board of Community and Technical Colleges. While each agency maintains a separate funding stream for its various job-training programs, Skill Panel funds permit these agencies to coordinate their efforts and minimize duplication in their training programs. As of 2004, coordination among the four agencies includes permitting representatives from each to sit on the others' review panels for project proposals. This degree of coordination has demonstrated benefits in reducing the duplication of training effort.

Inertia

A significant challenge for states is getting started. Despite an intense need, it can be difficult to overcome the complexity of the existing system and a tendency to settle for the status quo. Some states have gotten the process rolling by investigating the range of issues and illuminating ideas for improvement. A new source of funding, earmarked for change activities, can also be an opportunity for helping states take first steps toward new ways of doing business. For other states, inertia exists because key stakeholders have failed to act. In such cases, the policy champion can be critical.

Engaging Stakeholders: Reaching Out in Kansas and New Mexico

Kansas policymakers knew their state faced critical economic challenges, but they needed guidance on what kind of policies would make a difference. The solution was to engage stakeholders in a strategic planning process. In 2003, the Department of Commerce, under the leadership of Lt. Gov. Moore, who was also the Secretary of Commerce, held "Regional Prosperity Summits" in each of the state's seven economic development regions. These planning sessions helped the Department of Commerce and the lieutenant governor receive key inputs, while building a consensus for new policies at the regional and state levels. Led by Lt. Gov. Moore and organized by the DOC, the summits involved more than 1,500 community and business leaders, who expressed their views on economic and workforce development needs and strategies.

Each region was asked to identify ways to stimulate and strengthen the economy in that part of state, thereby recognizing the important differences across the state's diverse economic interests. In addition, Gov. Sebelius established the Economic Policy Council, which consisted of the regional private-sector leaders and key members of the administration, to manage the process. The

EPC ensured that the regional and statewide plans were developed and acted upon in a timely manner. The regional summits revealed a broad array of potential action steps, and they called for many policies that were ultimately enacted, including an integrated education, training, and economic development system; centers of excellence in the community and technical college system; stronger partnerships between business and education; and greater investments in demand-based training. The regional summits culminated in a statewide Prosperity Summit that incorporated the regional findings into a State Economic Revitalization Plan: Kansas 1st, the basis for Executive Order #31, and the Economic Growth Act of 2004.

In New Mexico, the focus of the policy change was relatively narrow: how to reimburse a community college for distance learning courses in a way that encouraged their development. However, the process was bogged down in a piecemeal approach to adjusting the funding formula. For years, different factions within the higher education community had approached the legislature with wish lists of changes. Making small modifications over a long period of time resulted in a funding formula that was complex and lacked incentives that made sense in the context of state goals and a constantly changing economic environment.

The solution was a taskforce, formed in 2002 at the urging of the legislature, to study the higher education formula. The taskforce was composed of representatives of two- and four-year institutions, legislators, and the New Mexico Association of Community Colleges; a well-respected, retired community member chaired the group. The legislature charged the taskforce primarily with revising the piecemeal approach to higher education funding. By looking at the bigger picture and revisiting every aspect of the formula at one time and with many perspectives considered, the taskforce learned about the challenges and cost of developing and delivering distance learning. In 2002, the legislature adopted the taskforce's recommendations for the full funding of distance learning.

Funding a Pilot: Taking the Fast Track in Massachusetts

Pilot programs can support innovation, provide benefits rapidly, demonstrate early success, and lay the groundwork for system-wide change through stakeholder involvement and the creation of a proof of concept (or "proof in the pudding") of results. As a process of experimentation rather than wholesale change, pilot programs can also avoid interagency turf wars.

In 2001, then-Massachusetts Governor Jane Swift established a Task Force to Reform Adult Education and Worker Training, in response to a MassInc report that documented the state's basic skills crisis. The taskforce

report, issued just three months later, made six key recommendations for improving and integrating the state's fragmented workforce development system. Chief among these was to help meet the demand for more highly skilled workers through an industry-focused workforce development effort based on a model of integrated job training and adult education services. The taskforce recommended a pilot program out of concern about the crisis of basic skills deficiencies and the difficulty and delay that system-wide reform might entail. In turn, the recommendation provided the basis for development of the Building Essential Skills through Training initiative.

From planning to implementation, the BEST initiative took only a year. Even so, it involved representatives of the Department of Workforce Development, the Department of Education, the Division of Employment and Training (now Division of Career Services and Division of Unemployment Assistance), the Department of Transitional Assistance, and Commonwealth Corporation. To fund BEST, state agencies pooled \$3.5 million for the Initiative's first round of funding. These partners included the four agencies; Commonwealth Corporation was charged with the task of helping to build and sustain the partnership, operating the program, providing technical assistance to the grantees, and selecting a third-party evaluator. The joint work of the BEST partners on implementation, and the success of the BEST model, has provided the foundation for additional funding for advancement-focused, demand-driven, industry-targeted skill development, and increasingly widespread use of this approach.

Executive Order: Persistent Gubernatorial Support in Oregon

Executive orders make it possible for governors to establish innovative policy when it is not possible or expeditious to do so through legislation. When Governor Ted Kulongoski came into office in 2003, he decided that Oregon could improve upon a relatively new incumbent worker training initiative. Employers and public officials noted that while many employers had participated in the initiative, and had committed a great deal of matching funds, three significant changes were needed to improve it: more funding to upgrade the skills of incumbent workers; focusing funding on jobs that could bring the greatest value to Oregon; and a more timely and employer-responsive process.

The proposed legislation significantly increased funding, moved decision-making to the regional level, and significantly decreased the time required to approve funding for training. But Oregon was undergoing tough fiscal times, and the legislature rejected the proposals.

Gov. Kulongoski continued to pursue the legislation's goals. The Oregon Workforce Investment Board had supported the legislation. More of its existing WIA funding could be earmarked to achieve its goals, and those funds could be used in a more innovative way. The governor promulgated an executive order that created the Oregon Workforce Training Fund and used WIA funds to triple the amount of funding available for employer-driven incumbent worker training. It also established a process to earmark other state funds for this purpose in the future. Other provisions of the executive order moved decision-making to the regional level and decreased the time required to approve funding for training.



Conclusion

States are the locus of innovation and action in workforce development and economic development, due to several factors, not the least of which are the dynamics that have moved a good deal of decision-making authority from the federal government into the hands of state and local policymakers. The Workforce Investment Act is a prime example, reflecting the recognition that states, which have a more immediate sense of the needs of their populations and economies, are better situated than the federal government to deliver workforce development services. Community colleges, critical actors in workforce and economic development, and the policies that direct them, are for the most part managed at the state level, another example of how states lead in workforce and economic development.



States are well positioned to be laboratories of innovation, even though they are often hamstrung by fiscal conditions, federal regulations, and their own institutional silos and roadblocks. State policymakers have proposed and enacted many of the nation's most progressive and proactive policies, reflecting the spirit of the observation of Justice Brandeis that opened this report. And these policies have emerged from an increasingly complex set of factors. The march of globalization has meant that economies have had to learn to compete with innovation and quality instead of cost, requiring states to become innovative in the ways that they train workers. Increasingly, these workers need higher-level skills to succeed in an economy in which even entry-level occupations require some degree of technical proficiency. Moreover, rapid change in the jobs, labor markets, and educational requirements means that workers need not only skills but also the opportunity to learn new skills, quickly and inexpensively. Added to these factors is the retirement of baby-boomers, which will mean not only a sharp drop in the number of workers but also the withdrawal of their skills from the labor market.

As states confront our rapidly changing global economy, they must juggle many balls and pursue innovation with dogged determination in a very challenging environment. Some of the approaches they will need to undertake, reflecting the many inspiring examples in this study, include:

- Innovating for increased efficiency, breaking down the institutional roadblocks and funding silos that have too often made it difficult to tap available resources;
- Introducing flexibility and adaptability to public services in the face of a rapidly changing economy and labor force;
- Developing methods for bringing economic development, workforce development, and postsecondary education and credentials into closer alignment; and
- Creating a culture of learning in state government, encouraging policymakers and program operators to adopt innovations from their peers, learn from their mistakes, and continually push the envelope.

Innovative state leaders are in good company. Their peers, from states in every region of the nation, are adopting innovations, changing the rules, and running hard to keep up with their changing environment. Organizations such as the National Governors Association; philanthropies like the Rockefeller, Ford, Mott, and Annie E. Casey foundations, to name a few; and national policy organizations and think tanks provide states with important support, learning forums, and research to promote innovation and facilitate the adoption of creative approaches to building skills and increasing economic vitality. The challenges are many, but so, too, are the opportunities, and the imperative is clear.

Appendix: Case Studies

In the course of the research for this guide, several state stories stood out as exemplary in their scope and their innovative approaches to solving seemingly intractable problems. Each represents a departure from the usual way in which states attempt to strengthen their economies and meet the skill needs of their workforce. The case studies expand upon the short examples in Part I, illuminating the interplay of many factors and the process of moving from an idea to on-the-ground change.

Whether through strong leadership from the top or by a years-long campaign to build support from below, these policies incorporate certain characteristics that may point in a new direction that successfully targets the intersection of interests between workers, employers, and state policymakers:

- Each case study acknowledges an efficient division of labor between state and local authority: the state steers and localities row.
- Each of the policies described here acknowledges the vital role of community colleges, whether by providing training venues, connecting workers to academic credit, or serving as a statewide infrastructure for a broader system linking economic and workforce development.
- Policy champions from a range of interests, including the private sector, public agencies, and, in some cases, labor unions, devoted time and energy to the spadework of overcoming narrow concerns in order to solve a common problem.
- Each case study describes a departure from business as usual, illustrating a genuinely innovative approach that recognizes that a state's economic vitality is inextricably tied to the skills of its workforce.

Iowa: Redesigning Financing for Workforce Development

Policymakers can easily grasp the importance of developing the skills of the workforce, but the prospect of action can be expensive. Most states are eager to find ways to tap new resources for training, given tight state budgets and the political challenges of using tax dollars to seemingly benefit relatively few individuals and companies. The bond financing models established in Iowa and Missouri exemplify a strategy that generates funds for training with the promise of repayment if the training results in new jobs. This profile of Iowa's pioneer efforts are followed by the story of how Missouri has adapted and enhanced the model.

The Economic Need

Iowa's economy struggled through the 1980s, suffering through the failure of thousands of family farms and the ensuing ripple effect that closed thousands of businesses dependent on the farming industry. Policymakers divided their time and diminishing resources between meeting the needs of the growing number of unemployed and stemming the flow of jobs and workers out of the state.

In 1983, the legislature responded with the New Jobs Training Act, which authorized the New Jobs Training Program. The NJTP was created under several constraints: no new state funds could be appropriated and no state agencies could be created; the program would need to be free to participating businesses and workers; it would need to devolve decision-making authority down to local levels; and it would need to stipulate that no funds could be expended unless jobs were created. The NJTP also had a specific objective: to bring business to Iowa.

Policy Details

The Iowa NJTP assists businesses that create new positions or new jobs. If a company is expanding its operations or locating a new facility in Iowa, the NJTP provides flexible funding to meet a variety of training and workforce development needs. The assistance ranges from highly specialized educational programs to basic skill training for new jobs.

The Iowa NJTP was the nation's first customized job-training program to be funded through the sale of bonds rather than through state appropriations. The pro-



gram is demand driven and self-funded. Each community college sells bonds to fund projects. The bonds are repaid over a maximum of 10 years through the diversion of 1.5 percent of gross payroll tax revenue, which is 50 percent of Iowa withholding tax revenue (3.0 percent of gross payroll for jobs with wages exceeding the county or regional average) generated by the business' newly hired employees or, rarely, through the diversion of incremental property taxes generated by business' new construction. Because bonds are repaid using tax revenue, the amount of training funds available to a business is determined by the business' tax-generating capability. Taxable bond financing is unlimited. However, there is a \$100 million statewide cap on outstanding *tax-exempt* debt at any time.

The NJTP is the cornerstone of Iowa's workforce and economic development efforts. The state's 15 community colleges serve as intermediaries for the program, and each college is authorized to sell bonds based on regional demand. In addition, the colleges work with employers to develop training programs and monitor training activities. Using bond proceeds, colleges reimburse the companies for approved training courses.

The costs of the program services (training and project administration costs) are initially paid by the community college that issues the bonds. The community college finances the program through the sale of bonds, which are the obligations of the community college, not of the employer. Iowa's community colleges also have the authority to levy stand-by property tax throughout their taxing area as a method for securing against default, although they have rarely taken this step.

The community college, in consultation with the employer, provides program services. The actual training depends upon the needs of the new workers as determined by the employer, within the limits of the legislation, program rules, and college policies. For example, program services might include blueprint reading, computer training, stress management, supervisory skills, time management, welding, or principles of electronics. Community college staff or third parties provide the training.

The Iowa Department of Economic Development maintains overall responsibility for the program, but agreements with employers are approved by the community colleges' boards of trustees. The department makes certain that all new jobs meet wage requirements when applicable and that the jobs are in industries that provide Iowa with a comparative advantage. An additional key element of department responsibility is to keep track of projects and the uses of funds, generating an annual report of the results.

Process and Champions

From the beginning, policymakers were motivated to address the outflow of jobs from Iowa and the rapidly expanding numbers of unemployed farmers, making relatively easy work of rallying support for the legislation. According to one state leader involved in the process, a team of creative legislators worked with a bond attorney and a representative of a community college who was also a former U.S. Congressman, to design policy that would satisfy not only the state's needs for a cost neutral training program but also worker needs for employment and advancement opportunities and employer needs for a skilled workforce.

Many late-night sessions among this group yielded draft legislation. Next, legislative leaders moved ahead with the proposal. The business community, state agencies, and then-Governor Terry Branstad's administration were all recruited in the process of building support for the bill in the legislature.

Results

The NJTP has proven to be a significant boon to the Iowa economy, both by helping new and expanding businesses to compete in the national and international marketplace and by helping Iowans to gain employment and advance. It has remained relatively unchanged since its inception, a testament to its ongoing success. The NJTP has provided job-training assistance to over 128,000 Iowans in new jobs since 1983. In the last 10 years, the number of projects per year has ranged from 29 to 138, the number trained from 2,031 to 11,547 per year, and annual certificate amounts have ranged from \$10,255,000 to \$46,337,000. The program continues to contribute to the dynamism of the Iowa economy.

The actions of employers are evidence that the New Jobs Training Program has been a determining factor in their decisions to locate in Iowa. According to a community college official who administers the program in his region, Eastman Kodak, Weyerhaeuser, and a Korean steel company have all based their location decisions on the strength of Iowa's workforce development system and the availability of NJTP training.

In the 1986 tax reform, Iowa Senator Chuck Grassley asked Congress for and got an exemption allowing Iowa's community colleges to continue issuing tax-exempt bonds in support of the NJTP. This makes Iowa's community colleges somewhat unique. However, in most states community colleges can issue taxable bonds. While interest is not tax deductible, taxable bonds carry higher interest rates and are easier to obtain and administer.

Missouri: Redesigning Financing for Workforce Development

Replication of the Iowa financing model depends to a great extent on the strength of a state's community college system, the political support of the governor, and the ability to secure the bonds—whether through a property tax or, as in Missouri, by employers themselves.

As in Iowa's New Jobs Training Program, Missouri community colleges have financed training through the sale of bonds. However, the bonds are bought primarily by Missouri employers who receive the training assistance; those bonds that are not bought by the employers are still guaranteed by them, and the interest on the bonds accrues to the employers. The certificates are repaid by using tax credits from the employer's regular withholding that is based on a percentage of the gross wages paid to workers in the new jobs. The tax withholding is equal to 2.5 percent of gross wages for the first 100 new jobs and 1.5 percent for the remaining new jobs. To repay the training and certificate costs, the tax withholding for projects in excess of \$500,000 may be claimed up to eight years, and those under \$500,000 may be claimed up to ten years.

Another difference between the Iowa and Missouri models is the role of lead agencies. While the role of the Iowa Department of Economic Development is limited largely to program oversight, the Missouri Department of Economic Development's Division of Workforce Development determines company eligibility and monitors the program for training duplication. Upon approval of the application by DWD, the community college may enter into a formal contract agreement with the company applying for training. However, the community college board of trustees must approve all final project agreements.

The JOBS NOW Program

In July 2004, Governor Bob Holden signed SB 1155, modifying various laws regarding economic development. JOBS NOW, the Job Training portion of the legislation, complements and enhances the existing Community College New Jobs Training Program in three significant ways:

- *Pooled Bond Structure.* Community colleges had been authorized to issue revenue bonds and use the proceeds to reimburse companies for their training costs. JOBS NOW expands this, allowing two or more community colleges to arrange pooled bond issuance using the capacity of either the Missouri Higher Education Loan Authority or the Missouri Health and Education Facilities Authority. This pooled bond issuance could lower the cost to each community college and generate a better bond rate due to the increased offering. This in turn may lower the overall cost, making training more attractive to employers.

- *Incentives for Smaller Companies.* Many smaller companies do not make use of the existing job-training program for several reasons. JOBS NOW provides incentives for these companies by encouraging them to join together to apply for training funds where common training needs exist by granting collaborative applications a priority in funding.
- *Flexibility in Appropriation Limits.* The Community College New Jobs Training Program was originally limited to an aggregate amount of outstanding bonds of \$55 million, with the amount of funds available each year further controlled by appropriation. JOBS NOW makes the yearly appropriation limit flexible so that maximum job training and new job creation may occur.

The Process

In the late 1980s, Mike Crawford, a key player in establishing Iowa's New Job Training Program, became Chancellor of the Missouri Community College System and began the process of adapting the Iowa model to Missouri's workforce and economic development system. The result was the Missouri Community College New Jobs Training Program, enacted in 1991 through HB 1364 and enhanced in 2004 through JOBS NOW.

During the planning and design process, the primary barrier to the program came from the differing viewpoints of the Department of Economic Development and the Community College Association about which could better control, administer, and deliver training. Ultimately, the legislature weighed in and agreed to pass the bill if a compromise could be devised that leveraged each agency's strengths. A compromise was enacted during the 1992-1993 session. The DED gained the authority to approve all projects, each of which needed to meet specific wage levels and target industries in which the state either held a competitive advantage or in which it would like to expand. The community college system was charged with serving as the program intermediary, administering the program and delivering training. Ultimately, this collaborative approach was the lynchpin in the creation of the policy and the partnership between the two agencies.

Results

In April 2003, the Office of the State Auditor concluded that the Community College New Jobs Training Program had a "positive economic impact" for Missouri, projecting 87,000 new jobs to be created between the program's inception in 1991 and fiscal year 2010, along with a projected increase in state revenues associated with the program by over \$4 billion by 2012. As of September 2004, the MNJTP had provided training for workers in



29,421 newly created jobs paying approximately \$19 per hour on average.

The use of bonds to finance training is contingent on a mechanism for securing the bonds. Missouri followed Iowa's lead, adapting its approach to different political and legislative conditions to create its own program. Both states have funded training for tens of thousands of workers, and both programs have enjoyed bipartisan support through successive administrations and legislatures. The Missouri model, however, represents an important variation on the bond-financing theme: encouraging employers to purchase the bonds. This decision resulted, in part, from a deep aversion among state policymakers to relying on property taxes to secure the bonds. Program administrators note that the default rate on the bonds issued through the Missouri program is less than 1 percent.

Kansas: Strengthening Workforce Development/Economic Development Linkages

When a manufacturing company approached the Kansas Department of Commerce for help in finding qualified employees and expanding operations, the DOC responded with a suite of customized services. The suite included support with capital needs, tax credits through the state's economic development programs, and most important, critical assistance with meeting short-term and long-term workforce needs. For its short-term workforce needs, the Kansas DOC is linking the company to the state's public workforce development system, helped with screening and matching workers to the company's requirements, and connected the company to training providers. At the same time, the DOC, with the help of a tech prep coordinator, is assisting the company with its longer term workforce needs by creating an apprenticeship system that is linked to high schools.

This scenario, in which the DOC serves as the single point of contact for the state's existing and emerging employers and workers, is dramatically different from what existed even a year ago, when economic development, workforce development, and higher education were separate functions. The DOC ran a traditional operation offering capital assistance, tax incentives, and state training funds, while the Department of Labor was in charge of the federally funded public workforce development system and the welfare system. Employers looking for assistance had to go to different entities—the Department of Commerce, the Department of Labor, and individual community and technical colleges. Workers, too, were often stymied by the myriad points of entry into the system and frequently unaware of the range of services available to them through the state government.

As in the private sector, public-sector mergers, if done well, can yield efficiencies. Done poorly, the state is left with costly turf battles, diminished services, and a dispirited workforce. It is because Kansas managed the merger of its programs so well that its approach stands out. Moreover, the inclusion of higher education as an equal partner with economic development and workforce development has positioned Kansas at the forefront of states attempting large-scale agency mergers.

Policy Context and Details

The Kansas reorganization is part of a broad economic growth plan conceived and led by Governor Kathleen Sebelius and Lieutenant Governor John Moore. Kansas 1st was introduced by the governor in October 2003 as an economic revitalization plan, with an emphasis on aligning and optimizing resources through the reorganization of government agencies. The reorganization was positioned to address the need to align employer needs with the needs of laid-off workers requiring retraining and other types of employment assistance.

Key steps toward realizing that plan were the Kansas 1st Blueprint, Executive Reorganization Order #31, and the Kansas Economic Growth Act of 2004. The Kansas 1st blueprint, developed by the Kansas Department of Commerce, became the strategic plan that integrated economic development, workforce development, and higher education. The blueprint laid out a plan to establish a new system that would carefully meld these previously separate entities into a demand-driven system focused on meeting employer needs for qualified employees. Together, these steps have sought to align the three critical sectors—education, economic, and workforce development—through a multi-pronged strategy that goes beyond departmental reorganization.

Aligning Economic and Workforce Development Efforts: Through Executive Reorganization Order #31, Gov. Sebelius centralized nearly all public training resources, federal and state. The underlying premise is that efficiencies could be gained by transferring the state's federally funded workforce training programs into a department that already dealt with job creation and expansion, the Department of Commerce, making it the single stop for meeting the training needs of both workers and employers.

Previously, the Department of Commerce had overseen state-funded training programs, while the Department of Labor had housed federal training programs like WIA, Wagner Peyser, and adult worker funds. With the reorganization, all training programs are under one roof at the DOC.

Linking to Higher Education: Many states seek to align their economic development and workforce development departments and programs. Other than Kansas,

however, few include higher education in this process. Kansas has done this by creating a forum for institutionalized cooperation and partnership among the DOC, the Kansas Board of Regents, the state workforce board, and local WIBs.

The Kansas Economic Growth Act, enacted in April 2004, launched a series of initiatives to make this possible. For example, it created the Workforce Development Trust Fund, a discretionary pot of money given to the secretary of commerce (who is also the lieutenant governor) to bring higher education (mainly community and technical colleges) into alignment with economic development goals. Funds may be used for infrastructure, instructional development, or human resources. Because one condition for the passage of the fund was that no new money would be required, the fund is financed by diverting 10 percent of the annual appropriation for economic development. In 2004, this translated to \$600,000 to \$1.5 million (based on current appropriations for the economic development programs).

Another initiative to align higher education with workforce and economic development was the creation of regional Centers of Excellence, also proposed in the Kansas 1st Blueprint. This eliminated traditional service areas and territories for workforce development, allowing colleges to extend specialized offerings beyond their local jurisdictions. The Centers of Excellence are expected to specialize in certain areas of training system-wide. This could reduce duplicate training offerings and lessen unproductive competition to deliver courses in high demand.

A third approach to alignment involves institutional partnership. Following an idea proposed in the Kansas 1st blueprint, the Department of Commerce and the Board of Regents have co-funded an executive position—the director for workforce training and education—to be housed at the DOC, with 75 percent of the position funded by the DOC and 25 percent by the Board of Regents. The position is one of four executive committee positions created to manage the implementation of Kansas 1st. This particular position is focused on collaborative training programs by the DOC, the Board of Regents, and the state and local WIBs—in general, addressing the education needs of the new plan. The director has a community college background and will be managing training and workforce development through the community colleges and the newly formed centers of excellence.

The Process to Implementation

State government reorganization is often unpopular and difficult to achieve. Turf battles, opposition to potential job losses from consolidation, and the lack of capacity to implement changes are some of the usual impediments.

As demonstrated in Kansas, a clear comprehensive vision of all the pieces necessary to achieve a desired change, the existence of high-level champions, and a thorough developmental process with key stakeholders engaged early on can ease the way.

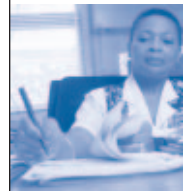
In Kansas, the reorganization concept was not new. Improving the alignment among state agencies had been a topic of discussion since 1986, when a study was commissioned to devise a plan to strengthen the Kansas economy. Subsequent studies put forth bits of the overall strategy for economic revitalization. A running theme throughout was the need to build the skills of the Kansas workforce and the need to reorganize workforce training. Another theme was to create a more optimal alignment of public resources. Despite this clear vision of what the system could and should be, no concrete design for linking workforce and economic development emerged.

The Champions and the New Vision: Gov. Sebelius, who assumed office in 2003, was a key factor in the successful reorganization and alignment of state resources. It was clear to her that a plan was needed that would outline efforts for generating a much needed economic recovery. She engaged key stakeholders, presented the Kansas 1st plan to the legislature and the public, and took the steps necessary to make the policy a reality through executive order.

Equally important was Lt. Gov. Moore, who is also the state's secretary of commerce. He was a key actor in the reorganization and a consistent force in the multi-year process. Debate surrounding workforce reorganization, which had surfaced time and again in the earlier discussions and studies, finally received its mandate under his leadership, and it became a critical component of the new administration's overall economic growth plan, presented and unveiled in October 2003.

Engaging Stakeholders: Over years and many planning sessions, the reorganization idea had involved all the key stakeholders—the DOC, the state and local WIBs, the Department of Labor, and the Board of Regents. Thus, there was little surprise or opposition when a plan was finally presented. The long process had paved the way for implementation, but it was a series of actions led by Sebelius and Moore that precipitated the actual change. To develop the new statewide plan in 2002, the governor proposed that “Regional Prosperity Summits” be held in each of the state's economic development regions. These planning sessions provided the DOC, Sebelius, and Moore with advice, while building a consensus for change at the regional and state level.

In the summer of 2003, the Prosperity Summits engaged over 1,500 community and business leaders, who provided their views on economic and workforce development needs and strategies. Each region identified ways to stimulate and strengthen the economy in its part





of Kansas, recognizing the important differences across the state's diverse economic interests. In addition, the governor established the Economic Policy Council, which consisted of the regional private-sector leaders and key members of the administration to manage the process. The EPC ensured that regional and statewide plans were developed and acted upon in a timely manner.

The regional summits identified a broad array of potential action steps, ranging from promoting agriculture to enacting new policies for energy and workforce development. The idea of workforce reorganization also surfaced. The regional plans, among other things, called for creating an integrated education, training, and economic development system, creating centers of excellence in the community and technical college system, fostering partnerships between business and education, and making greater investments in demand-based training. The regional summits culminated in a statewide Prosperity Summit that would inform the Kansas 1st Blueprint developed by the Department of Commerce.

In a parallel process, Lt. Gov. Moore convened critical stakeholders to build momentum for the reorganization. Participants included representatives of the Kansas Department of Labor, the Board of Regents, colleges and universities, the state and local workforce boards (representing the employer community), and the DOC. One area of potential conflict was the negotiation with the Kansas DOL, which stood to lose several programs, hundreds of staff, and much of its funding. The governor worked directly with the head of the DOL to secure the department's support for the plan.

At the same time, a strategic evaluation team convened by the governor provided a thorough evaluation, and the Economic Policy Council investigated other state efforts at coordinating programs and resources. The state also retained the services of professional strategic planning consultants to create an implementation schedule.

In October 2003, Gov. Sebelius introduced Kansas 1st and the plan for the DOC reorganization to the legislature for approval. The regional summits and meetings already had generated legislative momentum. After a severe economic downturn, the economic revitalization plan, with its emphasis on aligning and optimizing resources through the reorganization, was positioned to be received well by the legislature.

The plan was presented to the public in the Governor's State of the State address in January 2004. In that same month, Gov. Sebelius issued the executive order dissolving the Employment and Training Division of the Department of Labor and the transfer to the Department of Commerce.

At no stage of the process was the plan for the reorganization presented as a cost-cutting measure. Instead it was always positioned as means of optimizing resources.

State interviewees report that this was very important for a successful transition because it effectively eliminated opposition from those who feared the loss of jobs.

Results

The Kansas 1st Plan and the resulting reorganization are in the early stages of implementation, so direct quantitative outcomes are not in evidence yet. However, changes are already underway. Anecdotal evidence like the experience of the manufacturing company at the beginning of this case study testify to the success of the new streamlined economic development system that was the goal of the Executive Reorganization Order #31. Further, the initiatives stemming from the Kansas 1st blueprint and the Kansas Economic Growth Act of 2004, such as the creation of the new Workforce Development Fund, the regional Centers of Excellence at community colleges, and the position for workforce development co-funded by the DOC and Board of Regents, suggest that reform is underway. New working partnerships are forming and barriers are dissolving in order to create a more demand-driven system.

Washington: Supporting Workforce Intermediaries

An economic development imperative led Washington policymakers to reconsider the structure of the state's workforce development system. Rapid technological change in production methods throughout the 1990s brought with it the requirement that workers, at every occupational level, upgrade their skills. Policymakers and workforce development advocates watched industry after industry struggle to find workers with the skills required for increasingly complex occupations, and, by 2000, a clear trend began to emerge: Washington was losing many of its best paying jobs as firms moved out of state or out of the country. For the state to remain competitive, it needed a strategy that would not only increase its investment in training its workforce but also fundamentally change the way that the public workforce development system operated.

At the heart of this strategy is a growing network of workforce intermediaries known as Skill Panels. In their short history, Skill Panels have come to represent an exemplary practice in state-supported workforce intermediaries. They are noteworthy for their capacity for organizing multiple stakeholders, their ability to provide labor market services beyond traditional job-matching, and their dual-customer approach, focusing on both developing the skills of workers and the employment needs of industry. Moreover, Skill Panels have accomplished all this through the integration and alignment of services and finances from a variety of stakeholders.

The Economic Need

The conditions that prompted Governor Gary Locke to propose the creation of Skill Panels in 2000 were familiar. A biennial survey of Washington employers conducted in September 2001 through February 2002 provided irrefutable evidence of a skill shortage in key industries; industries with entry-level occupations that pay well above the national average were particularly hard hit. Among those attempting to hire, 48 percent of construction firms, 47 percent of high-tech firms, and 60 percent of manufacturing firms reported difficulty in finding qualified applicants (Workforce Training and Education Coordinating Board 2002). When those same employers were asked about the steps they took to address the difficulty in finding skilled workers, 67 percent said they had hired a less qualified applicant; 48 percent had not filled the opening. As a result, 63 percent reported reductions in production output. Across all major industry groups, 25 percent of employers reported outsourcing jobs after not finding qualified applicants.

At the same time, the state's overall competitiveness had suffered. In a 1999 longitudinal study of state-financed customized training programs, commissioned by the U.S. Department of Labor's Office of Policy and Research, Washington's ranking was shown to have deteriorated from 33rd of 47 states in 1988-89 to 45th in 1998-99 (Duscha and Graves 1999).

Washington identified the shortage of skilled workers as the largest barrier to business expansion. Employer focus groups, industry association newsletters, and several surveys confirmed what policymakers were hearing from their constituents: there was a disconnect between what industries needed and what the public system provided.

Policy Details

To address this skill shortage, Washington drew upon the key stakeholders in its workforce development system, including organized labor, business, and education, to establish industry Skill Panels. The strategy builds on the work of Harvard Professor Michael Porter, who promotes economic development approaches based on identifying industry clusters in a particular region. Industry clusters are "geographically proximate groups of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities" (Porter 2002). Washington has identified 41 traded clusters (clusters of industries that trade and compete with other states and countries) and 19 local clusters. Of these, the state has established Skill Panels in 9 industry clusters thus far.

Skill Panels are workforce intermediaries, alliances created to foster structural changes in the way the work-

force development system supports demand-driven training for a specific sector or industry. The Skill Panels are public-private partnerships among labor, education, and business representatives who are charged with improving career opportunities for workers and responding to employer needs for an efficient, productive workforce. Washington policymakers view Skill Panels as intermediaries comprised of key labor market players who collaborate to support a targeted industry considered vital to the economy of a particular region. The industry skill panels give employers and workers influence over local and state workforce development decisions, including how industry priorities are met, what training is offered, and how the delivery of training occurs. This supports a system approach to workforce development.

Each Skill Panel in a region is coordinated by and receives staff support from a community college, a local workforce board, a local Chamber of Commerce or some other workforce intermediary. Drawing on labor market analyses that assess current and future skill needs, while also getting direct employer input, Skill Panels assist industries in implementing strategies to keep pace with ever-changing labor market conditions. The Washington State Workforce Training and Education Coordinating Board (the Workforce Board) provides each Skill Panel with a small investment that often leverages other financial support from local, regional, federal, and private-sector sources. For example, the state's investment of \$1.2 million in 12 health care skill panels generated about \$36 million in leveraged funds, including a state incentive award of \$3 million from the U.S. Department of Labor.

Linkages to Higher Education: As part of its integrated approach to linking economic and workforce development, the Workforce Board coordinates the Skill Panel funds with the state's Community Trade and Economic Development Agency, the Employment Security Department, and the State Board of Community and Technical Colleges. While each agency maintains its separate funding stream, the state encourages local partners to coordinate their efforts and minimize duplication in planning, specialized training, and program development. In 2004, Requests for Proposals issued by the four state agencies stipulate that applicants demonstrate connections among local and regional workforce partners and connections among Industry Skill Panels and Centers of Excellence. Centers of Excellence, designed to be an industry's expert resource for the latest skill standards, curricula, research, and training, are housed at community or technical colleges.

Representatives of the three agencies participate in one another's review teams for project proposals. This has reduced duplication of efforts within most regions of the state and with other state or national initiatives centered around an industry cluster.

In 2004, the State Workforce Board strengthened its ties to the Job Skills Program, a successful and long-standing incumbent worker training program of the State Board of Community and Technical Colleges. Job Skills training grants go to licensed educational institutions partnering with employers, which develop customized training for new hires or incumbent workers. Employers must provide a match of at least 50 percent of training costs, either in cash or in-kind. During the 2003-05 biennium, the Job Skills Program is serving about 2,500 workers in 22 projects. Both the state Workforce Board's and the SBCTC's 2005-07 budget proposals to the state legislature propose to expand funding and service to more industries vital to the state's economy.

Skill Panel Participants: Although the strategies and tools adopted by Skill Panels vary by region and industry, a typical panel includes 15 to 20 business representatives in a particular industry, including members from small- to mid-sized companies and corporations as large as Boeing and Microsoft. As of February 2004, about 300 companies were represented on 19 panels. Panel representatives are decision-makers within their companies (e.g., chief executive officers, chief financial officers, human resource directors, plant managers, supervisors). Skill Panels currently exist in health care, construction, information technology, manufacturing, marine and industrial safety training, game software development, energy, and electronics. Panels are in formation for transportation, homeland security, and marine manufacturing and technology.

Process and Champions

Skill Panels resulted from innovative legislation, non-traditional alliances, and, most important, a shared vision for structural changes in the way the state provides workforce development.

An early argument for winning legislative approval for Skill Panels was the fractiousness of Washington's public workforce development system. For years, various state agencies had job-training programs, often with significant overlap in their objectives and the populations they served. This array of programs inevitably led to duplication of effort and, perhaps more important, disaffection from employers who complained of too many contacts from state programs and too much red tape. Convincing the key players from the various state agencies to meet with industry and labor leaders to discuss common objectives took the larger part of the initial stage of advocacy for Skill Panels.

Two champions emerged during this initial phase: the state WIB chair and policy advisor to Gov. Locke and a consultant to industry associations. Together, they convinced the key state agencies, the community college system, organized labor, and industry associations to build a

case for skill panels that would ultimately win approval in the legislature.

Initial activities involved convening panels to listen to presentations on the issue of skill shortages. Employers spoke of the resulting decline in productivity, the increasing need for overtime as vacancies went unfilled, and the need to outsource jobs. Workers spoke to their difficulties in advancing to better paid jobs and their fears of losing their jobs as their skills became obsolete. Policy champions supported the testimony of the private sector with labor market information that demonstrated growing skills gaps in the state's best-paying industries. With the backing of the state community college system and organized labor, this story was brought to the legislature in 2000, with a clear signal that the state's economic vitality was inextricably bound to the skills of its workforce.

The result was bipartisan support in the legislature. The panels were launched with a \$600,000 appropriation from the state's general fund to pilot an industry cluster strategy. It is a testament to the effectiveness of the Skill Panels that, despite budget shortfalls since 2000, Gov. Locke has continued to support Skill Panels with earmarked WIA statewide funds.

Results

One of the more significant early outcomes of the Skill Panels is that community colleges are responding to employer needs with higher quality, flexible workforce education and training (e.g., modular courseware, weekend and evening classes, distance learning programs), all resulting from Skill Panel influence. Interviewed by Seattle KUOW radio in 2004, Ellen O'Brien Saunders, executive director of the Workforce Board, noted, "Prior to industry skill panels, it was difficult for training providers to know what was needed to meet skill needs of industry. In fact, the strategy has enabled community colleges and workforce development councils to change their relationship with businesses and key sectors of its economy in positive ways."

Washington's 21 Skill Panels have demonstrated their effectiveness not only in linking the private sector more closely to education and training but also in generating additional funding for training. Moreover, the Skill Panels have accomplished a great deal with regard to creating public-private partnerships. As of February 2004, industry skill panel participation includes 299 businesses, 14 business/trade associations, 12 workforce development councils, 24 labor organizations, 47 community and technical colleges and skill centers, 18 school districts, 8 public universities, 10 private universities, 8 private career schools, and 5 economic development councils and ports.

Since 2001, Skill Panels have:

- Contributed to curriculum development for customized training benefiting at least 4,000 workers in the health care, information technology, construction, manufacturing and agriculture/food processing clusters;
- Initiated labor-management committees to create the nation's first four health care apprenticeships;
- Developed a construction industry career ladder;
- Created new upgrade training options, such as LPN to RN, using distance learning programs;
- Created a free online internship system (Internmatch) in IT;
- Supported six apprenticeship demonstration projects in Health Care and Construction that will serve 861 trainees by 2005; and
- Created Vocational ESL curricula for construction and health care workers.

Kentucky: Expanding Community College Capacity

When a Kentucky telecommunications company recently approached two local community colleges looking for help with training its workforce, economic development coordinators from the colleges worked with the company to set up telephony training courses for the company's employees. In a matter of days, a pilot course was up and running in the two colleges, and within six months, the course was approved as a formal Kentucky Community and Technical College System offering. Students can get credit for this training apply it toward a full credit-bearing program leading to a certificate or degree.

This short turnaround is the result of the rapid course and program approval that the Kentucky Community and Technical College System has created in order to fulfill its economic development mission and meet the needs of employers and workers. Under this system, KCTCS colleges can approve new courses in as little as three days.

The rapid approval process is only one example of a number of Kentucky innovations to help the community college system meet the needs of students, workers, employers, and communities. KCTCS also has introduced processes to bridge workforce training to academics so that low-wage workers have a chance to advance their learning and earn credentials. KCTCS has begun to assign academic credit for workforce training so that workers can link employer-sponsored training to academic courses leading to a certificate or a degree. And the system has started offering training in modules customized to employers' requirements; these modules carry partial or fractional credits that can be stitched together to constitute a full credit course.

Each of these policies is innovative in itself; taken together, they provide a powerful vehicle for Kentucky to meet the needs of employers and low-wage workers. It is this dual-customer approach in Kentucky's community college policy that makes it distinctive.

The Economic Need

In the 1990s, Kentucky received a wake-up call of sorts when it tried a repeat an earlier economic development coup. In 1986, Toyota had decided to locate its major North American automotive plant just north of Lexington. By the 1990s, the state recognized that to attract and retain more world-class firms, the workforce would need better skills and education. It was clear to just about everybody that Kentucky's workforce was not up to the skill standards required by modern industry (Conklin 2001).

A task force on postsecondary education was formed to look into the problem. It reviewed existing institutions, policies, and organizational structures, which it documented in a March 1997 report, "Post Secondary Education in Kentucky: An Assessment." The taskforce concluded that by all national measures, Kentucky residents were undereducated and trailed in income and health benchmarks. Even more disturbing was that Kentucky lagged the nation and its competitor states in the South and Midwest in important education indicators: high school graduation, college enrollment, and the percentage of the population with baccalaureate or advanced degrees. Kentucky ranked last in the percentage of students with a high school diploma, and roughly 40 percent of Kentucky's adult working population functioned at low levels of literacy.

Kentucky's workforce crisis was evident in its poor economic performance through much of the 1990s. Kentucky's per capita income declined from 1970 to 1995, even as per capita income in the Southeast as a whole increased to 91.2 percent of the national average. The recession of the early 1980s, which had taken a toll on Kentucky, continued into the nineties. The state's budget was cut 12 times between 1981 and 1994—more than any other state.

Kentucky's low levels of skill and educational attainment were a serious liability and a major reason the state was falling behind in the knowledge-based economy.

Policy Details

The first major step toward reform was a landmark legislation proposed by Gov. Patton and enacted as the Kentucky Post Secondary Improvement Act of 1997. The act created a new structure and a system of governance for the state's community and technical colleges. The Kentucky Community and Technical College System was created by bringing together 13 community



colleges and 15 technical colleges under one umbrella. The Council for Post Secondary Education was created to oversee programs and facilitate student transfer of credit. The intent of the council is to guard against unnecessary duplication by coordinating program offerings across institutions.

The creation of these two entities has provided a coherent governance structure for the state's two-year institutions, making it possible to both mandate and implement the many changes in operating policies. A key factor in Kentucky's community college reform was the decision, in 2000, by the newly formed State Council for Post Secondary Education, to give authority for the rapid course and program approval to the Kentucky Community and Technical College System.

Between 1997 and 2000, the state launched a series of reforms to address the workforce skill issues outlined in the Post Secondary Improvement Act. Many of the reforms were designed to make the KCTCS more responsive to the training and skill needs of employers and working adults. These reforms included:

- *A new system for rapid course and program approval.* KCTCS policy and Faculty Senate rules established a "Provisional Approval" category for workforce development courses in order to more quickly meet the needs of employers. These courses are offered for credit and count toward Associate's degrees. A community college's academic dean decides upon provisional approval for a course. A KCTCS institution that has applied for a new course approval can get an answer in a matter of months, rather than a year or more, by launching a pilot while final approval is pending. According to a systems administrator, this "allows us to meet community needs quickly. . . . It is a mechanism to get industry certificates without losing time moving through all the channels."
- *Academic credit for workforce training.* Students can convert non-credit workforce training credits into academic credits that lead to a degree. Academic deans approve the conversion to for-credit status. Academic Deans approve the conversion to for-credit status.
- *Awarding of fractional credit.* KCTCS allows the awarding of fractional credit, making it easier to customize courses to meet the specific needs of a workplace. Courses may provide as little as 0.2 credit hours. This enables employers to pay for only the training they need, while giving workers partial credit that can be supplemented through additional study. Distance learning programs enable workers to take the specific modules not offered through the employer.
- *Incentives to develop and offer for-credit workforce development courses.* Fees for courses, typically paid by

employers, are set by individual community colleges, which keep the revenue. Revenue from for-credit courses is recognized as tuition up to the system-wide cost per credit. Revenue above that amount is recognized by the community college as a "Customized Course Charge." Fees community colleges receive from employers can thus be a significant source of revenue and a great incentive for them to serve the needs of employers.

An important related policy is "Fast Track," a program that allows course credit to be awarded for competence rather than seat time. This can reduce the time required for earning a degree or other credential and improve the fit of learning with worker schedules. In Fast Track courses, the faculty member teaching the course determines which of a variety of methods (e.g., portfolios, demonstrations, presentations, tests, reports) to use to determine competence.

Champions and Process

The severity of the need facing Kentucky helped to create political impetus and a mandate to launch the sweeping reform of the state's higher education and workforce development system. Key support came from two important sources: the governor and a coalition of business and community representatives.

The Champions

Since taking office in the early 1990s, Kentucky's two-term governor, Paul E. Patton, had focused on raising family income to the national median. The creation of a more responsive workforce development system through postsecondary education reform was instrumental to this goal.

The governor's first step was to make the case for higher education reform to businesses and communities. Strong support for the governor's plans emerged from the business and education sectors. Job QuEST, a coalition of nonpartisan business and educational organizations that included the Kentucky Chamber of Commerce, was already calling for education reform at all levels. The group saw the governor's plan as a necessary continuation of basic education reform that had been started in the early 1990s. It provided critical support to the governor's reform agenda, conducting a series of statewide rallies, drumming up grassroots and media support, and testifying before legislative committees.

Support from business and labor and other organizations was especially critical for the creation of the new community and technical college system, which met with more controversy than any other of the governor's recommendations. The strongest opposition came from the University of Kentucky, which was responsible for the community colleges. Some communities also



opposed it on the grounds that it would take away funding and lower the quality of the institutions. The governor helped to ease these concerns by promising additional funding for the system and by making some concessions to ensure a continuing role for the University of Kentucky. The 1997 Postsecondary Education Improvement Act authorized the university to monitor program quality and continue providing library, financial aid and other services for a fee. Certain degrees continued to carry the University of Kentucky name until 2004.

In May 1997, Gov. Patton called a special session of the General Assembly devoted exclusively to reforming the system of public universities and colleges.

Throughout his speech to the General Assembly, he underscored the importance of improving education and education standards in order to improve the lives of Kentucky's residents. "The only way we can change the course of this state's future, build a healthy economy, and increase our revenue base for the long term is to invest in education. We can do it, and for the sake of our children, we must do it. But first, we must change the way our colleges and universities work."

Debate—in the legislature and beyond—was fierce, reflecting a host of regional, institutional, and other concerns. In one of the most important votes in Kentucky's recent political and educational history, the General Assembly passed the reform bill by a final vote of 25 to 13 in the Senate and 73 to 25 in the House of Representatives (Conklin 2001).

Thus, in 1997, Kentucky set out to establish a bold, new vision for its education system through the Kentucky Post Secondary Education Improvement Act of 1997. The creation of the KCTCS also ushered in new leadership in the form of a new president and chancellor, whose leadership is widely credited with the innovations now underway.

The Implementation Process

The Kentucky Post Secondary Education Improvement Act created the Council for Post Secondary Education and the Kentucky Community and Technical College System. Explicit in the legislation was the framework for program policies that would follow. Essentially, the legislation centered the council's thinking and focused KCTCS attention on five crucial questions:

- Are more Kentuckians ready for college?
- Are more students enrolling?
- Are more students advancing through the system?
- Are the community and technical colleges preparing Kentuckians for life and work?
- Are Kentucky's communities and economy benefiting?

The last had direct bearing on the state's actions in the area of economic development and low-wage worker training. It led to several more questions:

- Are community and technical college graduates remaining in Kentucky to work?
- Are employees and communities satisfied with recent graduates?
- Are postsecondary institutions contributing to communities and the economy?

Once the state began looking at the issue of economic development, the Council for Post Secondary Education held a series of discussions on ways to improve the system's response to economic development needs. Several ideas emerged: speeding up the approval of courses in the community college system in order to better meet employer needs; offering smaller, customized training modules; and linking these modules to academic credit bearing courses to help workers benefit from training.

In its 2000 review of existing procedures, the council decided that course approval processes for Associate's degrees and below needed to be approached differently than the approval processes for higher degrees. At the time, the proposal for a new program at any educational level would go from the college to the KCTCS Board of Regents, then to the CPE—a process that took three years on average. After its review and some negotiations with the KCTCS, the CPE decided to place authority for provisional program approval for Associate degree, diploma, and certificate programs in the KCTCS. Now the KCTCS president has the authority to approve pilot certificate programs, which go for ratification to the KCTCS Board of Regents and then registered by the CPE.

The new leadership at KCTCS played a vital role in bringing forth many of the policy changes. In 2000, KCTCS established a project team to see what could be done to expedite the approval processes at the institutional level. The team was comprised of staff from the systems office, the office of academic affairs, office of student affairs, community college economic development coordinators, and the Southern Association of Colleges and Schools (the regional accreditation body), and as well as representatives of the PeopleSoft, the database firm that would be responsible for tracking outcomes. Their task was to develop policies around program approval and credit conversion, but within the existing framework. The team began eliciting suggestions from the college community economic development coordinators, who were responsible for developing workforce training courses, and from business and industry representatives. Not surprisingly, both groups responded with enthusiasm at the prospect of quicker and streamlined processes.

In fall 2000, the team completed guidelines for the system and began to conduct regional workshops to familiarize institutions with evolving policies. Systems staff met with local stakeholders—students affairs staff, community economic development coordinators, academic staff—in a number of districts. The proposed policy was highly dependent on documentation and data entry. Database administrators were also on the team. The course development and approval processes emerged from these discussions.

The processes for course development and approval and for assigning credit are simple. They begin and end with the community economic development coordinator, a member of the college staff who acts as liaison between institutions and employers. When an employer approaches an institution to request a new training course, the coordinator forwards the proposal with course content to the academic dean whose approval is required. After course approval criteria are met—the content has been verified and the institution has qualified personnel to deliver the training—the course outline is posted in a system database that tracks all courses offered in the system. The posting generates an automatic e-mail to the KCTCS Academic Affairs staff. The course is entered into the system's course catalog by the Academic Affairs Office and assigned a number. If the topic already exists in the Business and Industry Topics Course Outline Collection on a DocuShare database, then the course is established as a new section using the previously assigned topic number. If a course is a module of an existing course, the course subtitle indicates this. The chief academic officer forwards the information to the CED coordinator. The CED coordinator schedules the course and the training is started.

Documentation is critical to the process. For a course to qualify for approval, the CED coordinator must fill out a form that includes course title and description, faculty credentials, credit hours, competencies to be taught in the course, suggested learning resources, methods of instruction, and methods of learning and evaluation. Because faculty credentials surfaced as an issue in the planning process, the system has clear guidelines for faculty hiring based on the type of course being offered, and the system has been proactive in collecting and documenting faculty credentials. The guidelines ensure that hiring criteria meet regional accreditation standards. Following the provisional approval, the course moves forward for registration and approval—to the KCTCS Board, the Kentucky Board of Regents, and the Council for Post Secondary Education.

Another development was the creation of training modules. The team had found that employers would be more amenable to paying fees if courses could be broken into modules. This finding, too, was factored into the new policies and generated a positive response among employers. In 2003, KCTCS began offering the first modular programs in workforce training, starting with industrial maintenance courses.

Next, the team turned its attention to assigning credit for training. According to a systems staff member, this was a clear need, given the amount of non-academic workforce training typically delivered by KCTCS. This staff member articulated that, "If the goal of the system is to create a prepared workforce, then why not help workers advance their learning by assigning them credit that can be used towards certificates and programs." This idea met with some resistance from academic staff who were reluctant to give credit for workforce training, citing the quality of instruction as an issue. But the attention to documentation of faculty credentials and student learning outcomes once again helped overcome resistance. In the current system, courses can be designed to provide as little as 0.2 credit hours. The system has clear guidelines for credit assignment depending on the type of course being offered.

Results

Rapid approval of for-credit workforce development courses and the ability to deliver modular customized programs have brought many benefits. Between 1998 and 2004, KCTCS established 1,000 new academic and technical programs. Workers, along with students in general, have benefited from the greater number of course offerings and from links between these modular training components and credit bearing academic courses institutions.

The number of students served by the institutions as a result of these and other policies has increased significantly from just over 45,000 in 1998 to 70,000 in 2004. There is greater satisfaction among employers, a substantial increase in revenue resulting from employers' payments, and support by employers of fundraising efforts and budget requests. Benefits to college faculty include greater satisfaction with the course approval process, increased creativity, better relationships with and increased support from employers, and better labor market outcomes of students.

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Interviews

As part of the research for *Building Skills, Increasing Economic Vitality*, JFF interviewed policymakers, researchers, and practitioners across the country, with a focus on states that had enacted innovative legislation.

California

Paul Gussman, Acting Executive Director, California State Workforce Investment Board

Florida

Curtis Austin, President, Workforce Florida, Inc.

Lucia Fishburne, Communications Director, Workforce Florida, Inc.

Iowa

Steve Ovel, Executive Director, Governmental Relations, Kirkwood Community College

Kansas

Jeremy Anderson, Policy Director, Kansas Office of the Governor

David Cleveland, Manager of Business, Finance and Workforce Development, Kansas Department of Commerce

Matt Jordan, Director of Operations, Administration Division, Kansas Department of Commerce

Alicia Roling, Customized Training Specialist, Division of Workforce Development, Kansas Department of Economic Development

Kentucky

Keith Bird, Chancellor, Kentucky Community and Technical College System

Donna Davis, Director of Community and Economic Development, Kentucky Community and Technical College System

Mary Kleber, Interim Director, Academic Affairs, Kentucky Community and Technical College System

Nancy Laprade, Executive Director, Kentucky Workforce Investment Board

Jan Muto, Dean of Academic Affairs, Kentucky Community and Technical College System

Massachusetts

Cathryn Lea, Project Director, Commonwealth Corporation

Mishy Lesser, Vice President, Commonwealth Corporation

Missouri

Amy Deem, Assistant Director, Division of Workforce Development, Kansas Department of Economic Development

Steve Long, Director of Vocational Education, St. Louis Chamber of Commerce

Don Robison, Manager, Customized Training and New Jobs Programs, St. Louis Community College

North Carolina

Pam Little, Assistant Director of Student Support Services, North Carolina Community College System

Delores Parker, Vice President for Academic and Student Services North Carolina Community College System

Wanda White, Director of Student Services, North Carolina Community College System

New Mexico

Frank Renz, Executive Director, New Mexico Association of Community Colleges

New York

Margaret Moree, Director, Workforce Development and Training Division, New York Department of Labor

North Dakota

Sharon Etemad, President, Lake Region State College

Ohio

Paolo DeMaria, Associate Superintendent for School Finance, Ohio Department of Education

Oklahoma

Norma Noble, Deputy Secretary of Commerce for Workforce Development, Oklahoma Department of Commerce

Terry L. Watson, Associate Director, Office of Workforce Development, Oklahoma Department of Commerce

Oregon

Cam Preus-Braly, Commissioner, Department of Community Colleges and Workforce Development

Lita Colligan, Workforce Policy Coordinator, Governor's Office

Pennsylvania

Fred Dedrick, Executive Director, Team PA (State Workforce Investment Board)

Sandi Vito, Deputy Secretary for Workforce Development, Department of Labor and Industries

Virginia

Glenn DuBois, Chancellor, Virginia Community College System

Washington

Tina Bloomer, Director, Student Achievement Project, State Board for Community and Technical Colleges

Jim Crabbe, Director, Workforce Education, State Board for Community and Technical Colleges

Pam Lund, Assistant Director, Workforce Training and Education Coordinating Board

Martin McCallum, Policy Analyst, Workforce Training and Education Coordinating Board

Ellen O'Brien Saunders, Executive Director, Workforce Training and Education Coordinating Board

Madeline Thompson, Policy Analyst, Workforce Training and Education Coordinating Board

Jennifer Thornton, Program Administrator for Workforce Education, State Board for Community and Technical Colleges

Wisconsin

Roberta Gassman, Secretary, Wisconsin Department of Workforce Development

Sue Gleason, Acting Director, Office of Economic Initiatives, Wisconsin Department of Workforce Development



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