

ARKANSAS GENERAL ASSEMBLY



Senator Jane English
Senate Co-Chair

Representative Terry Rice
House Co-Chair

JOINT PERFORMANCE REVIEW COMMITTEE

April 8, 2014

RE: Review of Workforce System

Dear Members of the Joint Performance Review Committee:

Please be advised that the Joint Performance Review (JPR) Committee will take up its review of workforce education and training programs available throughout the state of Arkansas. This review will require a series of JPR Committee meetings. The purpose of these meetings is to discuss the future of the workforce system in Arkansas.

For your review, enclosed is an article emphasizing that more and more states have realized that the key to economic growth for their respective states is a trained and skilled workforce, in addition to providing incentives. While we spend millions of tax dollars for workforce education and training, our state has few coordinated efforts. Each agency or organization that has one or multiple educational and/or training program(s) will be asked to provide a presentation to the JPR Committee regarding their program(s). These committee meetings will help identify all the resources and curriculums in the state and begin building a synchronized workforce system designed to help our citizens and propel our state towards even greater growth.

Our Governor supports our efforts and we both have a keen interest in this endeavor. Should you have any questions or concerns, please feel free to contact either of us

Sincerely,

Handwritten signature of Jane English in cursive script.

Senator Jane English, Senate Co-Chair
Joint Performance Review Committee

Handwritten signature of Terry Rice in cursive script.

Representative Terry Rice, House Co-Chair
Joint Performance Review Committee

To: "English2, Jane" <jane.english@senate.ar.gov>

Subject: States Boost Workforce Development to Attract Employers

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States Boost Workforce Development to Attract Employers

By Douglas Belkin And Mark Peters

Wall Street Journal

[http://si.wsj.net/public/resources/images/NA-CA482A_INCEN_G_20140321162721.jpg]

A coordinator, at right, for Georgia's Quick Start workforce-development program works with a Caterpillar Inc. trainee as they do robotics training at a facility in Athens. Tami Chappell for The Wall Street Journal

State governments have long offered tax incentives to draw new businesses, but when Alan Easome scouted sites for a new \$300 million tire plant last year, he was most impressed by the technology training labs at a community college in eastern Mississippi.

The senior director for Yokohama Tire Corp. liked how the control panels and gauges mimicked those used at nearby factories—part of a tailor-made education package that helped West Point, Miss., beat out more than 2,000 other communities vying for the plant.

"There was a sincere interest not only to see our labor needs met to commence production, but to sustain production for the long term," said Mr. Easome.

Mississippi's pitch—to train local residents in basic manufacturing at the community college and to build a skills center at Yokohama's new plant—comes as many states battle stubbornly high unemployment in the wake of the recession.

Corporations, meanwhile, remain leery of making job-creating investments amid a fitful recovery. The number of new facilities and plant expansions fell by half between 2000 and 2012, according to Conway Data Inc., the publisher of Site Selection Magazine. And for many firms still intending to invest, corporate tax breaks and other traditional incentives are no longer enough to tip the balance.

So states are adding to incentive packages the promise of a trained workforce. That, they hope, will address what has become many employers' principal concern: the growing skills gap that companies say has made finding workers increasingly difficult.

"Can you have a ready-made, trained workforce in our facility on day one? That became the most important driver" in attracting companies, said Brent Christensen, executive director of the Mississippi Development Authority.

Mississippi's package for Yokohama includes \$4 million to recruit and train employees and \$7.5 million toward construction of an on-site training facility. The company plans to start with 500 jobs in Mississippi and could employ as many as 2,000.

Data compiled by the nonprofit Center for Regional Economic Competitiveness show states' spending on economic development tumbled following the recession to \$6.9 billion in 2011 from \$11.3 billion in 2010. But workforce development programs saw fewer cuts and now make up a larger piece of a smaller pie. This fiscal year, states plan to spend \$1.39 billion on workforce programs, up 14% from last year, the center said.

While the costs of workforce development used to fall on companies' shoulders, corporations in today's economy have a lot of leverage when dangling the prospect of new jobs.

"Values have changed. Employers have persuaded themselves that if you train people you're just going to lose the investment, so it's not exploitative to ask [taxpayers] to do it for you," said Peter Cappelli, director of the Center for Human Resources at the University of Pennsylvania.

The skills gap is rooted in a confluence of trends: rapidly evolving technology that demands a higher level of training; less willingness by companies to spend the time or money to train employees; and the retiring baby boomer generation, which is leaving a vacuum of skilled workers.

In response, public colleges and universities—which have seen their overall state funding drop in recent years—are finding new revenue by catering to the needs of area businesses, as legislatures show willingness to pay for programs tailored to specific industries or a single company.

In January, Florida Gov. Rick Scott announced a \$30 million project to train employees for jobs in the fields of science and technology, while Wisconsin Gov. Scott Walker signed legislation this week to spend \$35 million on workforce development including customized training for businesses. In Rhode Island, Gov. Lincoln Chafee last year asked for an additional \$1.25 million for workforce development.

Georgia has more than doubled its workforce development budget in the last four years to \$30 million, according to the Center for Regional Economic Competitiveness. The state has landed some big fish like Caterpillar<<http://quotes.wsj.com/CAT>> Inc. CAT -0.90%<<http://quotes.wsj.com/CAT>> and Baxter Bioscience, at least in part because of its Quick Start training program.

Now, Arkansas is trying to emulate Georgia's success by spending \$15 million on a program called Fast Track.

In Georgia, a new Caterpillar training center mimics the factory floor down to the colors of the lights that inform workers on their pace of productivity as they assemble tractors. On a recent day, students worked in a neatly kept facility, either on computers or using robotic welding tools.

The training runs between four and six weeks and costs taxpayers roughly \$5,000 per person, said Rodger Brown, the executive Director for marketing at Quick Start. Mr. Brown said the training incentive—which he estimates is worth about \$2 million to Caterpillar—helped clinch the deal for the state and brought 1,400 jobs that pay between \$15 and \$30 an hour.

Georgia "provided a very competitive package," said Lisa Miller, a spokeswoman for Caterpillar in an email. She noted that part of that package was the "workforce training program that provides comprehensive, customized training to expanding and new businesses in the state—free of charge."