STATE INDUSTRY-SPECIFIC TRAINING PROGRAMS: 1986

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INTRODUCTION

The State of Kentucky was reported in September 1986 to have committed $33 million of State general revenue funds to the Toyota Motor Corporation for start-up training subsidies alone.[1]

During the 1986 legislative session, Wisconsin committed $3 million of State general revenue funds to the American Motors Corporation, which in turn signed an agreement with the Chrysler Corporation to produce Chrysler automobiles in an American Motors plant in Kenosha, WI.[2]

Also during the 1986 legislative session, Missouri's legislature created the Missouri Job Development Fund through what had become known as "The Chrysler Bill", since a substantial part of the initial year appropriation of $6 million was ear-marked for that Corporation's retooling requirements.[3]

Tennessee won the well-publicized competition for General Motors Corporation's Saturn facility, although the timing of, and employment requirements for, this activity are now being questioned.[4]

These examples of State general revenue commitments for corporate skill-training purposes represent the visible tip of a large and growing "iceberg" of such commitments.[5]

The purpose of this report is to describe the current status of the States' industry-specific training programs. This information is eagerly sought by both governors and State legislators, who share responsibility for nurturing productive and rewarding employment opportunities for their constituents.

The focus of this report is on <u>process</u> considerations: What skill-training activities are the States subsidizing, and through what institutional arrangements are these activities conducted? The next step will be to examine these activities in the context of the Nation's role in a rapidly changing international economy. **The rules of the game are changing, but these rule changes aren't announced to the players**: induction is required to infer the rules from the players observed actions.

BACKGROUND

Peter F. Drucker identifies three fundamental changes that have occurred in the world economy, each of which has profound consequences for the topic of this report[6]:

- Industrial production has been released from traditional dependence upon primary products.

- Industrial production also is being freed from traditional dependence upon employment.

- Capital movements, rather than flows of goods and services, have become the main engine for international economic relationships.

These uncoupling phenomena have arisen from unprecedented changes in how production occurs.

Today, production requirements elicit a response in the form of designer materials[7], a fundamental reversal of the historical dependence of application on resource availability.

Similarly, capital and knowledge are replacing historical sweat labor activities. Production processes are being redefined within industries and the industrial mix itself is being transformed into a more knowledge-intensive profile.

Among the profound consequences of these events for State industry-specific training programs are:

- **A <u>decline</u> in the relative importance of comparative advantages in employee compensation, as labor costs fall as a share of total production costs.**[8]

- **A <u>growing</u> pressure on the States to share in the costs of retraining incumbent employees whose economic viability has been destroyed by international competitive forces.**[9]

- **A <u>shift</u> of skill requirements from production tasks, which are increasingly performed by capital, to maintenance activities in support of this capital.**

- **Rapidly increasing awareness among corporate personnel administrators of the States' industry-specific training subsidies, which translates into a need for explicit criteria for selecting among eligible applicant enterprises.**

ORIGINS

In a paper presented at the fourth annual meeting of the National Association of Industry-Specific Training Programs (NAISTP) last month[10], I applied the labor economist's concept of *orbits of coercive comparison* to the time sequence of State industry-specific training program origins.

The phrase orbits of coercive comparison was coined by Arthur Ross in 1956 to describe the forces that affect individual labor unions in their attempt to achieve a desired relative standard among competing agents. This term also captures the essence of the forces that entice each State's governor or legislators to commit State general revenue funds to industry-specific training uses.

The history of industry-specific training in the United States exhibits a recurring pattern. One State offers a new inducement to reduce the cost of doing business in that State. This State realizes a <u>short-run</u> advantage over its competitors from this action. However, the competing States adopt a similar inducement to neutralize the advantage gained by the lead State. This replication phenomenon then spreads as additional States, which did not respond to the first State's action, are themselves affected by the induced responses of other States within their own "orbits". Ultimately, as the inducement wave covers the Nation, no individual State retains a competitive advantage over another State as a result of this inducement.

If this sequence of events happened on an infrequent basis for reasons associated with political personalities or unique historical circumstances the phenomenon would be of limited importance. However, this is not the case. Instead, <u>recurring</u> waves of State inducements have been observed to date, and future waves can be anticipated.

Following an initial competitive shock precipitated by the action of one State and induced responses by other States three fundamental changes in public-private economic relationships have occurred.

1. **A cost of doing business has passed from the private-sector to the States.**

2. **New spending coalitions[11] have been created in the form of individuals and organizations that now have an interest in the perpetuation of the new activities.**

3. **Both the States and collaborating private-sector agents have acquired a taste for cooperative behavior. Movement along a learning curve about State resource availability has begun.**

To date, at least three waves of innovation are detectable:

1. The area vocational-technical school (AVTS) and community college control era.

2. An increase in the control exercised by State executive agencies other than vocational-technical education and post-secondary education.

3. The creation of public corporations for the explicit purpose of offering state funded industry-specific training.

Recently, Mississippi's *Balance Industry with Agriculture Act of 1936* has been identified as the precursor of what was to come.[12] However, in the context of shocks and induced responses North Carolina's initiative in 1957 to create a statewide network of public education institutions that would be responsive to employers' immediate skill requirements triggered the first wave of AVTS-type responses.

The second shock wave is identified here with Louisiana's decision in 1974 to create an industry-specific training program within the Department of Commerce and Industry, rather than in an education unit. **The cost-of-doing business inducement here is the State's alleged ability to assure employers that the choice of appropriate skill-training agent(s) would be removed from the control of vocational educators; there would be no presumptive deliverer of skill-training services.**

The third wave was triggered in 1981, when the Massachusetts Legislature created the Bay State Skills Corporation. Here, as in the case of Louisiana's action, **the clear legislative intent is to remove the administrative entity from control by traditional executive agencies, thereby presenting a public image of relevance and responsiveness.**

At the present time, the fifty States can be classified as follows with respect to administrative responsibility for industry-specific training: State Economic Development Agency, 20 States; State Vocational-Technical Education or Post-Secondary Education Agency, 14 States; State Labor Agency, 5 States; Public corporation, 2 States; Joint responsibility, 2 States; Multiple independent programs, 1 State; and no Industry-Specific Training Program, 6 States.

ACCOUNTABILITY ISSUES

No quantitative information about dollars appropriated, firms served or individuals trained is provided in this paper. With respect to dollar amounts, which are of great interest to many of those in the States who want to compare their own State's commitment with that of competitors, two problems were encountered:

1. An annual line-item appropriation is often supplemented through special-purpose appropriations during a program year, through combining of funds from multiple sources for particular activities, and through matching requirements.

2. In-kind contributions are often present, but there is no reliable way to achieve comparability across contracts, let alone among the States.

Information about the number of firms served is not offered here because serious definitional problems have been encountered. In some of the States there is a substantial difference between the number of agreements that are signed and the number of agreements whose provisions are fulfilled. For most purposes the latter information is what one would like to have available. Unfortunately, for obvious reasons, the number of signed contracts is what is usually reported for public relations purposes. This is not intended as an indictment of all of the States. It is simply the reason why information of this type is not reported here.

Trainee information is virtually nonexistent. This is the most accurate measure of priorities that has been revealed in the year-long study of State investments in industry-specific training. These commitments of State general revenue funds are intended to create or more recently to retain jobs. This is a demand-side objective. It is assumed that if jobs are created people will fill them. Very little attention has been paid to a statement of priorities for who should be eligible to secure the training slots subsidized with State general revenue funds. The complementary use of Job Training Partnership Act and Carl D. Perkins Vocational Education Act funds has not been a major topic for examination in this study. However, the States have exhibited substantial creativity in how they combine Federal and State funds to achieve competitive advantages over other States.

The near universal absence of trainee information is important for three reasons:

1. **It is an explicit measure of the imbalance of power between the public- and private-sector partners to the employer-specific training agreement.**

2. **It effectively destroys any hope of performing analyses of personal attribute correlates of productivity gains.**

3. **It severs accountability for the investment of public resources when the agreement for the provision of employer-specific training ends.**

The general absence of trainee characteristics information and post-training tracking of employment and earnings patterns is not an oversight. Both are a direct result of the short-run political forces that create support for employer-specific training in the first place. However, see California's Employment Training Panel for an example of performance-based contracting with a 90-day time horizon. Also see the discussion of the Massachusetts Bay State Skills Corporation.

It is important to understand that the State employer-specific training programs are not poorly managed investments in the development of marketable skills for targeted populations, which have been transformed into employer subsidies with little accountability.

The commitment of State general revenue funds is openly acknowledged to be a necessary public expense to attract or retain jobs. Employers are uniformly guaranteed the prerogative to hire whomever they wish. Non-intrusiveness is a universal principle in the management style of these State programs.

An important policy question, which is addressed in the section that follows the enumeration of individual State programs, is: Should these industry-specific training program investments be judged on the basis of criteria in addition to, or other than, those applied to date? And, if so, how could support be generated for these modifications?

A BRIEF SKETCH OF THE STATES' INDUSTRY-SPECIFIC TRAINING PROGRAMS

Here, the States are reviewed in alphabetical order to facilitate each reader's ability to locate the parts of the total listing that are of interest.

The quantity and quality of information that was provided by each of the States is extremely uneven for several reasons:

1. Since this was a one-person undertaking, I relied upon the awareness of those who were initially contacted by telephone in each State to offer an accurate statement about other State agencies that should be contacted. Therefore, it is possible that important State activities have been slighted if this respondent failed to bring relevant activities to my attention.

2. A second reason for limited information, also attributable to the one-person nature of the study, is that a few of those who were contacted failed to provide requested information.

3. The third reason for uneven coverage involves qualitative differences between information collected during site-visits and information requested by telephone.

Between August 1985 and July 1986 site-visits were conducted in seven States (AZ, CA, GA, IL, MA, MO and OH). Telephone contacts were made in each of the remaining States.

Only Alaska, Hawaii, New Hampshire, Rhode Island, South Dakota and Wyoming report having no formal State-funded industry-specific training program.

The definition that was used to determine whether a specific activity applied was the commitment of State funds to subsidize institutional or work-site skill-training conducted on behalf of one or more employers to meet their current or anticipated production requirements.

Alabama

The Alabama Industrial Development Training Institute was established in June 1976 by resolution of the State Board of Education.[13]

The State Board's resolution further provided for the administrative home of the Institute to be in the Division of Postsecondary and Continuing Education, with a director to be recommended by the state Superintendent of Education for approval by the State Board of Education.

The resolution explicitly states that “it is not feasible to try to provide such training in existing and ongoing institutions or programs." Flexibility in type of training, timing of offering and location is stressed.

New and expanding manufacturing industries are eligible for AIDTI services.

Alaska

No industry-specific training program activity, which meets the definition stated above, is reported at this time.

Arizona

During the 1982 session, the State Legislature passed Senate Bill 1106, which redefined the responsibilities of secondary and postsecondary governing bodies with respect to economic development activities.

The Arizona Industry Training Services Program is administered by the Division of Vocational Education in the Arizona Department of Education.

New and expanding firms are the stated target group. Small business is specifically mentioned as a target entity. The ITS program guidelines state that "ITS is <u>not</u> designed to function as an on-the-job training program, but rather as a program to serve new or transitioning employees." Both manufacturing and service enterprises are eligible.

The total State funds commitment cannot exceed 50 percent of the documented costs of each training project. Matching funds may be provided by the Fiscal Agent, the firm(s) involved and/or other non-Federal sources. A per project ceiling of $20,000 of
ITS funds is imposed, with a $2,000 per trainee limit. The length of training cannot exceed six-months. Federal funds are utilized when applicable.

State funds may be used for instructional staff compensation and expenses, instructional materials and supplies, costs of leasing temporary quarters and equipment. State funds may <u>not</u> be used for trainee stipends or supplies. Similarly State funds may not be used to purchase "specialized equipment indigenous to the production processes of a particular firm."

Any employee or prospective employee is eligible. The ITS program guidelines state that "every effort will be made, however, to utilize JTPA priority levels when selecting enrollees."

Accountability provisions focus on financial audits. However, the ITS program guidelines state that "projects reporting no placement in excess of 10% of the trainees proposed on the application and/or enrolled for training are expected to rebate grant funds on a proportionate basis."

The Department of Education is a partner in the Pre-Layoff Assistance Coordination Team (PACT), which also includes the JTPA Dislocated Workers Program, the Job Service, Unemployment Insurance, Community College Districts and local government entities.

The Maricopa Community Colleges Business/Industry Training Services program illustrates how the Arizona ITS program works. This is a consortium of seven community colleges serving the metropolitan Phoenix area, enrolling nearly 70,000 students. Pima College serving the Tucson metropolitan area also has been a Fiscal Agent under the ITS program.

California

The California Employment Training Panel (ETP) program was authorized during the 1982 legislative session. Taking advantage of a window of opportunity offered by a statutory requirement that the State's unemployment insurance tax rate be reduced by one-tenth of one percent, because of the Trust Fund balance that had accumulated, the Legislature imposed a one-tenth of one percent employment training tax on all liable employers who have positive balances in their unemployment insurance account.

The Employment Training Fund receives up to $55 million a year from the employment training tax, with excess amounts being transferred into the unemployment insurance Trust Fund account. The Employment Training Panel is authorized to utilize up to 15 percent of the Employment Training Fund for administrative expenses, although to date interest received from the Fund is said to have been sufficient to cover administrative costs.

The Employment Training Panel is administered through the California Employment Development Department. The seven-member panel is appointed by the Governor, the Speaker of the Assembly, and the President pro Tempore of the Senate, for two-year staggered terms.

The Panel supports three types of training:

1. **Retraining to increase productivity and prevent layoffs.**

2. **Training for new and expanding industries.**

3. **Training to eliminate critical skill shortages within existing enterprises.**

The tie to the State's unemployment insurance program therefore extends from those who have exhausted benefit eligibility, through those who are receiving benefits, to those who would be expected to become beneficiaries in the absence of the ETP intervention.

The Employment Training Panel initially utilized Master Contractors to perform many of the outreach and management functions that are required. Included among these Master Contractors were: the California Manufacturers Association, the Los Angeles Community College District and the Northern California Higher Education District. In other words, both public- and private-sector brokers were permitted. Furthermore, letters of intent to fund projects developed by non- Master Contractors also have been issued to such entities as the California Department of Commerce, the Office of the Chancellor of Community Colleges and the San Diego Regional Employment and Training Consortium.[14]

The Panel may contract to provide training only on behalf of for profit enterprises that are required to comply with the State's unemployment insurance statute. Government agencies and non-profit organizations are excluded.[15]

The Employment Training Panel provides full funding for administrative, instructional and materials costs. No matching requirement is imposed. No trainee stipends are offered. To date, no specific targeting among industries has occurred. Both manufacturing and service enterprises have been included, as well as retail trade establishments. Since the stated goal is to achieve both reductions in long-term unemployment insurance costs and economic development, few contracts have been approved for positions paying less than $5.00 an hour. Average costs per trainee have ranged from $500 to over $5,000; and a single contract for more than $5,000,000 has been approved by the Panel.

Trainees are selected by the contracting agent. No criteria other than the tie to actual or anticipated unemployment insurance cost consequences are imposed by the Panel.

The ETP program is conducted on a fixed-price performance contract basis. Full payment is not made until 90 days of employment in a job that utilizes the skills learned has been verified. One consequence is that traditional community-based organizations, such as the Urban League, have been burned when anticipated employer commitments have not been forthcoming.

It is ironic that the ETP program, which exhibits a higher level of accountability for post-training employment status, has received severe criticism for early failures to assure that public funds were not being substituted for private-sector investments that would have been made anyway.[16] Accountability is a relative matter; being more accountable than others is not synonymous with being accountable enough!

It is particularly important to note that the Employment Training Panel began operations with $55 million in its pocket. It is not surprising that difficulties were encountered at the outset in allocating this huge amount of money wisely. It takes time to establish the network of support agents that can effectively distribute such a sum. **Here, as in many other States, the boundary between undue intrusiveness on businesses and insufficient accountability for public expenditures has been subject to redefinition as the program matures.**

Another important part of the infrastructure development in California involves the sharing of information among the ETP Master Contractors and those who hold letters of intent: JTPA entities, such as Private Industry Councils and Service Delivery Area administrative entities; community-based organizations and organized labor.

The availability of largely unrestricted training monies through the ETP has jeopardized some preexisting relationships between target group advocacy organizations and the employer community.

Colorado

The Colorado FIRST Customized Training Program was authorized in 1984 by the Colorado General Assembly, after operating on a demonstration basis since 1979.

The Colorado FIRST program is jointly administered by the Division of Commerce and Development, which is the State's economic development agency, and the Division of Occupational Education of the State Board for Community Colleges and Occupational Education, which is the State's vocational/technical training agency.

The program's operating principles state that "all Colorado FIRST Customized Training Programs shall be coordinated through local vocational or technical education institutions with the participating institution preparing the proposal for Colorado FIRST assistance." Further prohibitions of Colorado FIRST expenditures are stated for situations in which regular vocational, technical or apprenticeship training opportunities are available; or when "a trained and experienced work force, seeking employment, already exists in the local labor market." In other words, the stated intent is to minimize duplication of effort.

To date, employer eligibility has been limited to new manufacturing firms or those undertaking a significant plant expansion. Training support is limited to permanent new jobs.

All direct training program costs can be reimbursed. No trainee stipends are covered. Training can be conducted at the work-site. Enterprises may be requested to contribute either in-kind or dollar resources to the training activity. **Training is intended to last "only until the immediate training needs of the participating company are satisfied."**

The only trainee eligibility requirement is acceptance by the company. Training can occur prior to hiring or immediately thereafter. Retraining of displaced workers is a high priority of the Colorado FIRST program, but only in support of new and expanding manufacturing industries. Retraining to save existing jobs is not an explicitly stated purpose of the program.

Training agreements are signed only when cooperating firms make a good- faith commitment to give priority hiring consideration to trainees. However, such employers are not bound by this agreement, and payment of training costs is not made contingent upon such hiring.

JTPA agents are asked to participate and to contribute Federal funds whenever feasible. Examples of such collaborative efforts are offered.

Accountability is reported in terms of increases of State income and sales taxes generated by the training investment. Insufficient information is available to determine whether the cited increases are calculated in gross or net terms.

Connecticut

Had a program in 1986, but did not respond to request for information at that time.

Delaware

During the 1984 session the General Assembly of the State of Delaware passed the Delaware Economic Development Training Act. This Act created an Economic Development Training Board appointed by the Governor with designated ex-officio and public members. The Director of the Delaware Development Office chairs the Board.

Eligible applicants, who may receive contracts not to exceed $100,000, include but are not limited to: Local education agencies, employers, employee organizations, community-based organizations, and other providers of training with demonstrated effectiveness, or any combination thereof. **No industry-specific employer eligibility criteria are stated.**

Covered costs include costs incurred in job-related instruction on or off the job site, which "is neither in the course of production nor in the course of rendering a service." Costs for specialized equipment and materials not attributable to such training are not allowed.

A financial commitment equal to the requested contract amount is normally expected from the applicant. However, the Director is authorized to waive this requirement "upon finding that the program funded by the contract will materially increase the employment opportunities for targeted individuals", and that in-kind contributions in an amount approved by the Director are agreed upon.

Accountability requirements include "information concerning the recruitment and employment of trainees and students." The required Annual Report "shall include, but not be limited to, descriptions of all programs funded, an evaluation of the performance of each program, a summary of the public monies expended, and an analysis of the participants in the programs, to include a report on the number of minority and economically disadvantaged individuals."

The same legislation that created the Economic Development Training Board also provided for a one-tenth of one percent tax in association with the State's unemployment insurance statute, to be deposited in a special Administration Fund of the Delaware Department of Labor for designated counseling, training and placement activities. Twenty-five percent of the funds collected are earmarked for allocation by the Economic Development Training Board. Administrative costs are capped at twenty percent of this amount. The remaining seventy-five percent of the tax fund is to be administered by the Delaware Private Industry Council, Inc.

Florida

The 1968 session of the Florida Legislature established an Industry Services Training Program to be administered by the Department of Education.

The Act created an Industry Services Advisory Council of 11 members to be chaired by the Director of the Division of Economic Development of the Department of Commerce. The Directors of the Division of Employment Security, Division of Manpower Planning, and Division of Vocational Education are also designated members. The remaining seven members are appointed by the State Board of Education from nominations submitted by the Commissioner of Education.

The Industry Services Training Program is conducted through agreements between the State Department of Education and district school boards or community college boards of trustees, or both. In the event that either is unable or unwilling to provide the desired training program, the State "may enter into a cooperative agreement with any state agency or institution, county agency or institution, municipality or municipal agency, or any institution, public or private, which is willing to operate the training program." This is a good example of a presumptive deliverer of services, but one that offers an option to go elsewhere.

Employer eligibility is defined in terms of "an enterprise either private or public, with a primary purpose of producing goods or services, employing individuals in skilled and semi- skilled operations." Reference is made to new and expanding employment criteria when a shortage of qualified individuals to meet this need has been certified by the Industry Services Advisory Board.

Training is limited to skilled and semi-skilled operations requiring a learning time of one year or less. Training is to be supplementary to regular offerings by vocational-technical schools, community colleges and other public programs. The program "shall be operated on a statewide basis to assist any area to become more competitive in industrial and economic development." No information is available on intrastate allocation criteria. (The same observation can be made about almost all of the State programs.)

Instructional staff and materials costs can be covered. Subsistence costs for trainers are specifically barred, as are stipends for trainees. Equipment purchased for use in the training activity remains the property of the State. Temporary instructors who are not certified within the State can be utilized.

No trainee eligibility or accountability information is available at this time.

Georgia

The Official Code of Georgia Annotated authorizes a Quick Start program administered by the State Board of Postsecondary Vocational Education. The Quick Start program was initiated in 1966, prior to the creation of the State Board.

The Quick Start program is administered within the State Board of Postsecondary Vocational Education, which coordinates the operations of 31 area vocational-technical institutions in Georgia. The Board appoints a seven member Advisory Committee from nominations submitted by the Quick Start program's Executive Director. These Committee members are drawn from both public and private organizations "engaged in or concerned with the industrial and economic development of the State."

Industrial off-campus coordinators operate from each of the postsecondary area vocational-technical education institutions on behalf of the Quick Start program.

Actual implementation of a training program is accomplished on the basis of an agreement between the State Board of Post-secondary Vocational Education and either a local board of education or a private enterprise. Training programs are usually assigned to an area school or a vocational education division of a junior college.

The Quick Start program works closely with the Georgia Department of Industry and Trade, which is the State's lead economic development agency. The Quick Start Director states that approximately one-half of the contacts that result in training agreements come through this source.

Most companies that actually manufacture a product are eligible, but there are exceptions. Health care services, transportation, non-profit organizations, utilities, and operations within an otherwise eligible company (e.g., administrative services, sales, or marketing) are excluded. The new or expanding eligibility criteria are elaborated upon in the staff procedures guide: Adding a total shift; adding machines; adding space; or relocation (provided there is expansion incorporated in the move).

The duration of training is limited by law to less than one year. The focus is on entry-level skills. The procedures guide states that normally Quick Start avoids on-the-job training programs except as a follow-up for entry level training. Separation from production is stressed.

The duration of an agreement between the State Board of Postsecondary Vocational Education and an individual enterprise is open-ended. Agreements to date have extended for over five years as long as the new or expanding criteria are satisfied. Individual agreements have exceeded $2 million on several occasions.

The Georgia Quick Start program exemplifies how a balance can be struck between non-intrusiveness and accountability. Detailed procedural principles guide the initial study team through its responsibilities to determine exactly what training services are required and how they can be provided.

No matching requirement is imposed by the Quick Start program, but each study team is advised to minimize the resource commitment that is requested from State revenues. Substantial flexibility in the assignment of instructional staff members is observed. Travel funds are available for both domestic and foreign travel, if this expenditure is necessary to complete an appropriate training package.

The State's Director of Economic Development maintains close tabs on the early stages of negotiations with area schools and individual enterprises to assure that statewide objectives are met (e.g., to avoid competing efforts undertaken in different parts of the State).

Employers are advised about the potential availability of JTPA funds, if target group criteria are satisfied, but no advocacy is exercised beyond this informational function. The Quick Start program does cooperate with the Department of Labor in support of its dislocated worker projects, and with the Job Service for selected recruitment activities.

Accountability to date has been achieved through fiscal controls and substantial up front efforts to winnow out those enterprises that are simply seeking State funds to reduce their cost of doing business, without any reciprocal payoff to the State.

Judgments about the success of the winnowing process remain anecdotal in the absence of reliable follow-up information about the employment activities of trainees after they complete the Quick Start program (and informed speculation about the indirect effects of these individuals on the employment opportunities for other Georgians, which could be improved or damaged).

Hawaii

No employer-specific training program that meets the established definition is reported.

Idaho

There is no line-item appropriation for Idaho's New Industry Training Program. The decision to set aside funds for this activity is left up to the Director of the State Division of Vocational Education.

Requests for the use of funds in support of new or expanding industries originate with the six AVTS facilities in the State. A one-page agency form is used for approval purposes. No other information about eligibility criteria and accountability is known.

Illinois

Illinois is unique among the states in offering three independent approaches to industry-specific training at State expense.

The Illinois General Assembly authorized an Industrial Training Program (ITP) in 1979, to be administered by the Illinois Department of Commerce and Community Affairs. Then, in 1983 the General Assembly enacted the Prairie State 2000 Fund Act, which was restructured in 1985 to include the establishment of the Prairie State 2000 Authority as an independent State entity. And, also in 1985, the General Assembly created a High Impact Training Services (HITS) program under the control of the Illinois State Board of Education.

The Industrial Training Program focuses on cost sharing of on-the-job training expenses incurred by new, expanding and other major industrial enterprises. 'Other major' is defined as "creating 100 or more full time jobs or those firms which make a capital investment in Illinois in excess of $1 million and create additional employment opportunities." Expansion is defined as "a permanent increase in production that results in the addition of personnel through additional work shifts and/or facilities in excess of normal growth or turnover." It is not clear how the latter judgment is made.

Institutional participation can include public or private secondary or post-secondary education institutions. The State's contribution to direct costs cannot exceed two-thirds unless the trainees are determined to be unemployed, receiving state welfare benefits or enrolled in training for the handicapped, in which case up to one-hundred percent of the cost can be borne by the State. Coordination with Federally funded programs is encouraged.

The independent Prairie State 2000 Authority includes two programs that are of interest here. The Individual Training Assistance Program (ITAP) offers job training vouchers valued at up to $2,000 for unemployed individuals and up to $1,000 for employed persons who face the threat of layoff without retraining.

Eligibility criteria include Illinois residency and coverage in the State's unemployment insurance employment sectors. The vouchers can be used at both public- and private-sector training institutions for such expenses as tuition, fees, supplies and administrative costs.

The Prairie State 2000 Authority also offers an Employer Training Assistance Program (ETAP), which is available to any enterprise that participates in the State's unemployment insurance program "regardless of employment trends." The purpose of this program is to assist Illinois employers "who are not currently making a profit or who have had a poor profit picture in the last few years." Firms that are putting profits into capital investments, so inadequate resources remain for training purposes are also eligible to receive State funds. Both loan and grant awards with forgiveness provisions are offered.

The Prairie State 2000 Authority is also working with the Northern Illinois University Center for Governmental Studies to determine whether a voluntary savings plan by workers and/or employers for individual training account purposes is feasible. Field surveys of attitudes about options in this regard have been conducted and recommendations about next steps can be anticipated in the near future. This activity is consistent with related legislative proposals at the national level.

The High Impact Training Services program, created in 1985, and administered by the Illinois State Board of Education, requires an application to be submitted by a community college, area vocational center or comprehensive high school to the State Board. This is a quick-start program emphasizing rapid response to a collaborative proposal involving a public or private education facility and an employer. **Any new or expanding enterprise is eligible to receive funding. Here too, expansion is defined as "a permanent increase in the addition of personnel through additional work shifts and/or production in excess of normal growth or turnover." The language in some sections of this legislation is identical to that found in Florida's 1986 legislation, which supports the concept of orbits of coercive comparison. It is clear that the vocational-technical education community is responding at the State level to an erosion of turf with respect to State resource commitments for skill-training purposes.**

A site-visit was also conducted with a representative of the City of Chicago Department of Economic Development. This agency's *Chicago Works Book* is an excellent example of how a large municipality can serve a coordination function in support of economic development activities.

A topic that warrants serious investigation in the future is the extent to which local, State and Federal funds do or do not support economic development efforts in the same areas. Anecdotal evidence suggests that State funds are directed to suburban and rural locations because of the new and expanding industrial employment criteria that are frequently applied. If so, this pattern has obvious consequences for both inner city residents and for municipal economic development efforts. This observation is expressed here only because of the site-visit to a municipal economic development agency. Similar anecdotal information was revealed in each of the other States where site visits were conducted.

Indiana

The General Assembly of the State of Indiana authorized an Industrial Training Program in 1981, to be administered by the Indiana Department of Commerce.

Initially, only a Training for Profit (TfP) program was conducted on behalf of new and expanding businesses. However, in 1983 a Basic Industry Retraining (BIRT) program was added to meet the needs of companies to retrain employees when "significant capital investments to modernize their production processes" are made.

Indiana Vocational Technical College (Ivy Tech) has an agreement with the Indiana Department of Commerce to provide technical assistance and management services in the establishment of the TfP and BIRT programs throughout the State. For this purpose Ivy Tech has 13 regional Directors of Industrial Training and Development located throughout the State to assist companies with the preparation of training plans and the subsequent delivery of training services.

Iowa

The General Assembly of the State of Iowa established an Iowa Industrial New Jobs Training Program in 1983. The Iowa Development Commission in consultation with the Department of Public Instruction and the Office for Planning and Programming shall coordinate the new jobs training program.

The terms 'new' and 'expanding' are defined in an adopted rule of the Iowa Development Commission. A 'new' business is one that has not done business in the State before or an existing industry implementing a new process and product used or produced for the first time in Iowa.

An 'expanding' business is one that that requires new jobs that did not exist in that business in Iowa prior to the signing of an agreement for training and exceeds the level of employment in the business six months prior to the date of the training agreement.

This complexity illustrates how difficult it is in practical terms to identify 'new' employment opportunities, even within an enterprise, let alone within an industry.

Retail, health, and professional service businesses are specifically prohibited from receiving funds through this program. Up to one-half of the costs of on-the-job training can be covered for up to one year, including both wage and benefit amounts.

Area vocational schools and community colleges are authorized to enter into agreements with employers, and they are required to notify the State Department of Revenue upon doing so.

What is truly unique about the Iowa Industrial New Jobs Training program is the provision for funding that was authorized by the General Assembly. Program costs may be paid from one or a combination of:

1. **Incremental property taxes accrued from an employer's business property where new jobs have been created.**
2. **A new jobs tax credit from State withholding obligations related to the new jobs that have been created.**
3. **Fees levied by the local education agency's board of directors.**
4. **Guarantees of payments covered under1 through 3 above.**

Neither 1 nor 2 above increase an employer's tax obligation above what it would have been otherwise. What the provisions for incremental taxes and tax credits do is earmark taxes that can be attributed to the new production activity
for the specific purpose of paying off the deferred obligation that was incurred at the outset to provide the training.

So, where does the money come from at the time the training is provided? Area schools are authorized to sell certificates in regular financial markets for this purpose backed by the tax sources described above. Certificates that are issued need not be restricted to a single training project since the fixed transactions costs of doing so would be prohibitive. Area schools are authorized to assess an annual standby tax upon all taxable property in its jurisdiction to provide additional evidence of the security of the certificates.

The area schools are required to show evidence in their agreements that they have attempted to coordinate the new training activity with sources of Federal funds for such purposes and with regular public and private vocational-technical education activities.

The Iowa Development Commission is required to submit an annual report to the General Assembly on activities conducted under this Act. No information on such a document has been made available.

The pay-as-you-go features of this legislation warrant careful study in the future. Obviously, the selection of businesses to be beneficiaries of the training subsidies must be done with an eye to the solvency of the certificates that have been issued to pay for the training. This offers quite different incentives than are encountered in the more traditional programs, which are supported from a State's current general revenue funds.

Kansas

The Kansas New and Expanding Industries Training Program is the result of a 1981 Interagency Agreement between the Kansas Department of Economic Development and the Division of Vocational and Postsecondary Education in the Kansas State Department of Education.

The Department of Economic Development receives State funds to initiate contacts with new and expanding businesses. These funds are combined with Federal vocational education and JTPA funds to support eligible activities. The interagency program is coordinated through area vocational-technical schools, unified school districts and community colleges.

Both classroom and work-site activities are provided for and both instructional staff and materials costs can be covered. Instructors can be drawn from either educational institutions or from the participating businesses.

The Kansas Department of Human Resources is offered as a resource for recruitment, testing and screening purposes, but each employer makes the final decision who to hire.

Kentucky

During the 1984 session the General Assembly of the Commonwealth of Kentucky established the Blue Grass State Skills Corporation (BSSC). This legislation is another example of the "orbits of coercive comparison" concept, since it mirrors Massachusetts Bay State Skills Corporation legislation enacted in 1981.

The BSSC is a *de jure* corporate entity that is attached to the State Department of Education for administrative purposes. An eighteen member Board of Directors is the designated governing body. Five members are legislatively identified and thirteen are appointed by the Governor.

Grants-in-aid not to exceed $200,000 are authorized to be awarded by the Board of Directors to educational institutions. These **institutions submit applications that "involve an area of skills training and education which is needed by business and industry and for which a shortage of qualified individuals exists within the Commonwealth."**

Applicants must demonstrate that the grant-in-aid is essential to the success of the proposed training program, but they must also demonstrate that all other available resources have been drawn upon, including a commitment of financial or in-kind resources from the affected business sector at least equal to the requested amount of state funds.

The BSSC supports:

1. Pre-employment training of 40 hours or less, seeking a placement rate of at least 40 percent of each program's enrollees.

2. Entry-level training conducted in a classroom or work-site location, including pre- hire and post-hire classroom training and post-hire structured on-the-job training preceded by classroom training or a combination of these.

3. Occupational upgrade training, which requires an explicit company commitment to place two-thirds of all enrollees into jobs paying at least five percent more than any other earned increment with a higher level of responsibility.

4. Skills upgrade training, which is targeted to incumbent employees of a company that requires the training to remain economically viable due to new technologies, new management or supervisory systems, or new production methods.

5. Advanced skills training, which is focused on capacity building to enhance the State's competitive posture, rather than on immediate job placement with a particular company.

This broad spectrum of training activities exemplifies the life-cycle concept of training, which describes the sequence of events that training requirements pass through from self-teaching within the innovating enterprise through a choice of internal training or hiring already trained candidates from other sources to widespread public and private availability of the training.[17]

Louisiana

The Industrial Training Program, which was started in 1975, is administered through the Development Services Division in the Office of Commerce and Industry.

Employer eligibility is limited to new or expanding manufacturing enterprises.

Pre-employment training is described as enrolling enough individuals so that even with attrition a company will have a choice among the completers. No compensation is paid during this phase of training. Instructional staff members are usually drawn from the prospective hiring company, and they are compensated by the State for this activity. Materials costs are negotiated for this pre-employment phase. Any appropriate facility can be utilized.

At the completion of the pre-employment training phase the company decides who to hire and the second on-the-job training phase begins. Instructional staff costs are still reimbursed up to a $12.00 per hour limit. No materials costs are paid for with State funds during this phase, but the production that results can be sold without penalty. There is no ceiling on the length of time that can be spent in on-the-job training.

Maine

The 1986 session of the Maine legislature produced a bill that authorizes the Governor to allocate from the State Contingent Account "to provide funds for any unusual, unforeseen or extraordinary needs for State assistance in creating jobs by assisting in meeting the training requirements of labor intensive new or expanding industries."

The process through which such an allocation can be made requires either the Commissioner of Labor or the Director of the State Development Office to request such action by the Governor after consultation with the State Budget Officer. The Commissioner and Director are required to consult with each other, as well as with the Commissioner of Educational and Cultural Services, the Director of the Maine Vocational-Technical Institute System and the Administrator of the relevant Service Delivery Area for JTPA purposes. In other words, all bases must be touched before the Governor is contacted.

The 1986 amendment to authorize an allocation from the State Contingent Account was achieved in response to a specific need for flexible training monies to recruit a particular foreign firm. The first two years of appropriations are ear-marked for that firm. Thereafter, the established request process will go into effect.

This action illustrates the vulnerability of governors and State legislatures to requests for State funds by those who control highly mobile capital, which can be located in any number of competing international locations.

Maryland

The Maryland Industrial Training Program was established by the State Legislature in 1968. Between then and 1980 the program was administered by the Division of Vocational-Technical Education in the State Department of Education.

The Governor transferred the Industrial Training Program to the Department of Economic and Community Development by Executive Order in 1980. The Executive Order reads in part: "**The Program essentially consists of short-term training designed primarily to meet specific needs of particular businesses, and thus is an economic development tool rather than an educational process." This phrase exemplifies how almost all parties involved in industry-specific training state the program's goal.**

The services to new and expanding businesses are similar to those described for a number of other States—program design costs; assistance in recruitment, testing, and screening in cooperation with the Maryland Department of Employment and Training; provision of a training site in a vocational school or community college or other appropriate facility; and sharing of instructional costs, including both in- and out-of-state travel and per-diem costs.

The availability of trainee stipends amounting to fifty percent of wages for up to six months for JTPA eligible trainees is stated in materials that are distributed among prospective client companies.

Massachusetts

The Bay State Skills Corporation was created by the Massachusetts Legislature in 1981, as a quasi-public instrumentality of the Commonwealth. The Corporation was placed in the Executive Office of Manpower Affairs for administrative purposes only.

A brief description of events that proceded this enactment may help some of those in other States to understand what is involved in bringing a piece of legislation to fruition.

The story, as I understand it, begins in late 1979 when the unemployment rate in the Commonwealth was 4.4 percent and the CEO's of high-tech companies were bemoaning the difficulties that were being encountered in hiring technically qualified employees.

The Governor and his Secretary of Economic Affairs looked for ways to increase the relevance and responsiveness of the Commonwealth's vocational-technical institutions, community colleges and State colleges.

A Bay State Project was announced in the Governor's 1980 State of the State Address. In May 1980 a corporate goal was announced without prior legislative consultation. In the absence of immediate legislative action the Governor established a Bay State Commission by Executive Order.

During the 1981 legislative session, with appropriate homework on the part of the Governor’s appointees, a bill was enacted.

The language of the authorizing legislation is interesting: "It is found that it is in the public interest of the Commonwealth to promote the prosperity and general welfare of its citizens, a public purpose for which public money may be expended to encourage and facilitate the formation of comprehensive cooperative relationships between business and industry and educational institutions which provide for the development and significant expansion of programs of skills training and education consistent with employment need; and to make interested individuals aware of the employment opportunities presented thereby. "

The "critical shortage of training and educational programs necessary to meet the growing needs of business and industry for skilled employees...is occasioned by the inability of educational institutions to secure the resources necessary for the development and substantial expansion of programs of skills training and education which are consistent with employment need."

"As a result of this shortage, business and industry are unable to obtain sufficient numbers of qualified employees for continued operation and expansion within the Commonwealth, and our people, particularly those who are victims of economic dislocation, and those of minority and economically disadvantaged groups, are denied many significant and substantial employment opportunities."

These long excerpts from the legislation are included here to highlight two differences between this enactment and most of the other statutes that have been reviewed. First, this Act focuses on capacity building of public education facilities within the Commonwealth. And second, targeted populations are mentioned in the Act.

It is recognized, of course, that priorities when a State's unemployment rate is 4.4 percent can be expected to differ from those in States with unemployment rates that are twice as high.

The Bay State Skills Corporation is governed by an 18 member Board of Directors chaired by the Secretary of Economic Affairs. The Commissioner of the Department of Public Welfare, the Chancellor of the Higher Education System Board of Regents, the Commissioner of the Department of Education and fourteen others appointed by the Governor serve as well.

The BSSC acts as a catalyst combining its limited State resources with other Federal, State, local and private funds to foster public-private training partnerships. In this regard, it is perhaps the most multifaceted agency that has been examined. Other combinations of Federal-State, and State-private funding are common.

Local initiative by a public education facility is required. When companies inquire about funding eligibility they are put in touch with one or more such institutions. Requests-for-proposals are issued quarterly. Most project funding is for one-year or less. Renewal occurs, but progress toward self-sustaining status is encouraged.

Educational facilities are urged to establish ties with a consortium of employers that have a common skill-training requirement, rather than with a single firm. This limits the vulnerability of the training program to the fortunes of one business. State funds must be matched by at least an equal commitment by the businesses involved in the partnership. In-kind matches are preferred, rather than tolerated, because these translate into a more substantive involvement by the businesses in the partnership.

Combinations of institutional and on-the-job training are encouraged. **Companies are not required to make hiring commitments up front.** Training slots are publicized through the Division of Employment Security, and with JTPA, Welfare and Vocational Rehabilitation agents. Both public and non-profit vendors can be utilized in support of a locally initiated proposal. The BSSC Board has proposed legislative action to permit proprietary schools to submit proposals, but action has not been taken.

Justification for an alleged need for specific skills is left to the local partners. State labor market information is apparently given less weight than management expressions of need.

No specific trainee eligibility requirements are imposed by the BSSC in the case of the 50-50 match program. However, in addition to this core activity the BSSC has added specialized programs such as Supported Work for Mentally Retarded Persons, Displaced Homemakers and participation in JTPA and AFDC support activities. The BSSC is an active partner in the well known ET program for welfare recipients in the Commonwealth. Eligibility requirements and matching provisions differ when other State and Federal funding sources are drawn upon.

This lengthy treatment is more a measure of the quality of information that was provided during a site-visit than it is an indication of personal endorsement. Having said this, the BSSC program is quite different in intent and procedure than most of the State programs that are reviewed in this document.

The BSSC approach is not intended to respond to individual employer requests for subsidy, nor is it set up to offer instant turnaround on requests for funding. It is not a performance-based program, but proposals are reviewed with an eye toward the expected payoff in terms of both trainee productivity and institutional capacity building. An important goal is to put educational institutions and employers in touch with each other, so that in the future the State can withdraw to the sidelines to watch the players go on with their cooperative activities.

The add-on of targeted programs within a high-tech focus warrants serious study in the future. If the BSSC program succeeds in drawing targeted populations into productive and personally rewarding employment then other States may be less cautious in taking similar steps.

Again, many write off Massachusetts as a relevant exemplar because of its dynamic economy. A guiding principle in many States is to avoid mention of target group advocacy, even to the extent of failing to publicize JTPA funds availability and Perkins Act vocational education monies. If success stories can be told they offer some hope that deeply rooted management values can be modified. The crucial question is: Can these values be changed in a highly competitive context?

Michigan

The Michigan Legislature passed The Michigan Business and Industrial Training Act during the 1982 session. **This Act established within the State Department of Labor, in cooperation with the Departments of Commerce and Education, a training program to "encourage the expansion of existing businesses and industries within this state, promote retention of existing jobs within this state, prevent out of state business and industrial migration, and assist in the in-migration of out of state businesses and industries."**

The language of this 1982 Act is important because it exemplifies the time-dependency of legislative actions. 1982 was a time of serious recession, particularly for the manufacturing industries of the upper Midwest. The Michigan statute does not focus on new and expanding; instead, it addresses concerns about retention of existing employment opportunities. This illustrates the strength of state legislation when compared to Federal action: Individual circumstances require responses that are appropriate to the idiosyncrasies of the situation, and Federal action exhibits difficulty in adapting to this unevenness.

The Michigan legislation defines appropriate jobs by the following criteria—skill demand, wage for the area commensurate with the skill required for the job and feasibility and desirability for location within this State.

The cost categories that can be covered are similar to those enumerated for other States above. Pre-employment training, on-the-job training, retraining and job upgrading are all eligible activities. Both public and private individuals, agencies and institutions are eligible for funding. The unique requirements of foreign capital investments are specifically mentioned in the enabling legislation.

Signals about priorities are given in the following two provisions of the Act: "The primary concern in the provision of training services shall be the needs and type of services identified by the employer"; and "[a] community college or area vocational education center shall be given initial consideration to provide any training, job upgrading or job upgrading training." These phrases clearly indicate power nodes to which the State Legislature is responding.

Michigan's Governor consolidated the Office of Industrial Training by Executive Order in 1986, including the Michigan Business and Industrial Training Program, into the Governor's Office for Job Training, which by virtue of the same Executive Order was transferred from the Department of Management and Budget to the Department of Labor.

Michigan's Department of Education also has a Quick Start program, the details of which are unknown at this time.

Minnesota

The Minnesota State Board of Vocational Technical Education is currently preparing legislation to provide a structure, staff and State funding for a Customized Training Services program to be administered through Minnesota's Area Vocational Technical Institutes.

Currently, the 33 Area Vocational Technical Institutes conduct customized training services through their extension division. Each campus has an Extension Administrator who is responsible for part-time vocational-technical training, retraining and upgrading programs.

State funding for a Minnesota Job Skills Partnership provided training for new and expanding industries from 1983-85, but no funds for new projects have been made available for 1986-87.

Mississippi

The Mississippi Legislature created an Industrial Start-Up Training Program in its 1983 session.

Administered through the Industrial Services Division of the Bureau of Vocational-Technical Education, the program is intended to provide an inducement for new or expanding plants to locate in Mississippi. The training program is said to offer "a commitment to any expanding Mississippi company or prospective new company for the State that it will provide a work force custom trained to company standards at little or no cost to the company."

Both pre-employment and on-the-job training services are offered.

Missouri

The 1986 General Assembly authorized the Department of Economic Development to "establish a new or expanding industry training program, the purpose of which is to provide assistance for new or expanding industries for the training, retraining or upgrading of the skills of potential employees. Such program may also provide assistance in the locating of skilled employees and in the locating of additional sources of job training funds." In a separate section of the same legislation the Economic Development Department is also directed to "establish a basic industry retraining program, the purpose of which is to provide assistance for industries in Missouri for the retraining and upgrading of employees' skills which are required to support new capital investments." This provision is what led to the Act being called the Chrysler Bill. A Missouri Job Development Fund was established for these purposes.

Activities eligible for reimbursement from the Job Development Fund include instructor wages, training curriculum development costs, instructional staff training costs, travel expenses, tuition payments to third-party training providers and to the industry, teaching and technical assistance services provided by educational institutions in Missouri, on-the-job-training costs and the lease of training equipment and facilities.

Appropriations from the Job Development Fund can be used for contract services provided through the auspices of the Missouri Department of Elementary and Secondary Education for vocational related training or retraining provided by public or private training institutions within Missouri, and for contract services provided through the Department of Economic Development for the same types of services secured outside the State, as well as for such services offered within Missouri by "any proprietorship, partnership or corporate entity ."

The Act further provides that, except for State sponsored pre-employment training, no applicant shall receive more than fifty percent of their project training or retraining costs from the Development Fund.

Prior to the enactment of this legislation, Missouri had conducted an Industry Training Program through the Industrial Education section of the Division of Vocational and Adult Education in the Department of Elementary and Secondary Education. This program continues to function at this time.

The Industry Training Program, which is marketed as Missouri's Customized Training Program, began in 1982 with State funds appropriated to the Division of Vocational and Adult Education. Federal funds were transferred in 1983 to the Division of Vocational and Adult Education to coordinate training services provided by the State on behalf of the General Motors Corporation, which was nearing the start of operations at a new facility under construction at that time.

During the years 1983 through 1986 the Governor included State funding for this program in budget recommendations submitted to the General Assembly. Over this four-year time span, State appropriations increased ten-fold. The new Job Development Fund nearly trebles this amount. State funds have grown 27 times the 1982 level in four years.

Also during this time period, the incumbent Governors required each Service Delivery Area operating under the JTPA program to earmark at least ten percent of their Title II-A funds for customized training purposes on behalf of eligible individuals. In addition, JTPA eight-percent monies were often committed to on-the-job training wage reimbursement in support of customized training activities for eligible recipients. In other words, the Division of Vocational and Adult Education committed State funds to cover instructional staff and materials costs, as well as equipment and facilities expenses, while the JTPA funds were used for on-the-job training for eligible clients.

The Industry Training Program has been marketed jointly by both the Division of Vocational and Adult Education and the recently renamed Division of Job Development and Training at the State level. Marketing materials of each mention a contact person in the other agency, and the complementary purposes of the Federal and State funds are described.

At the local level, joint marketing is much less evident. The State Industry Training Program is conducted in large part through two High Technology Training Resource Centers located in the St. Louis Community College and the Kansas City Metro Colleges respectively. In addition, area vocational-technical schools deal directly with the Industry Training Program staff at the State level.

A new type of services broker has recently appeared in the form of Management Insights, Inc., a national organization that markets both State and Federal subsidies and performs all required eligibility screening activities on behalf of its client corporations. This is similar to the well-known activities of national organizations brokering Targeted Jobs Tax Credit screening on behalf of client companies.

A tension clearly exists at the local level among the institutional players. The community college liaison, by virtue of the high tech label and the marketing resources that are available, dominates the local employer community. While the area vocational-technical education facility is in principle a part of this network, the practical reality appears to be that administrators in these centers must recruit their own client companies. Similarly, JTPA administrators at the local level are often on the outside looking in with respect to access to corporate clients. This relationship is certainly not unique to Missouri, nor is it surprising.

All of the State programs that were examined during site-visits acknowledge a conscious effort to acquire an elite image with the corporate community. This is why staff usually is advised to be non-intrusive and not to become advocates for target group selection.

Staff members who are actually in contact with potential employer clients must often overcome suspicions about strings that will be attached to any agreement. This phenomenon has been an important constraint on corporate participation both in Missouri and in the other States that were visited. However, there is a learning curve, and firms are quickly learning that the States are serious about sharing in training expenses without being intrusive. This is why warnings were expressed at the beginning of this report that States must quickly prepare themselves for a need to announce formal selection criteria among applicants. The word is spreading about the availability of State funds. If priorities are not formalized then untoward political consequences are inevitable, as corporate executives exercise political influence to leap-frog other candidates for funding. The latter phenomenon will continue, of course, but it will be much easier for the industry-specific training program managers to resist some of these pressures, if established criteria for selection have been stated.

Since many of the industry-specific training activities are conducted on corporate premises or in leased facilities with corporate employees as instructors why are public educational institutions involved at all? Here, the motives are similar to those explicitly stated in the Bay State Skills Corporate goal: to gain entree to the local corporate community, thereby gaining credibility. In a sense, the Industry Training Program offers the local vocational-technical school or community college administrator a key to gain entrance to the personnel offices of the employers in the area. And, when agreements are signed, additional administrative resources flow to the local schools, which in turn permit them to continue the marketing activity.

Incentives for local educational institutions also appear in the form of tuition payments by students who would not have been recruited otherwise. For example, assume that 70 percent of an instructor's salary is reimbursed for a classroom activity that is conducted through the Industry Training Program on behalf of the employees of a corporate client. Then tuition fees paid by these students in a satellite-training center, in excess of the other 30 percent of instructional costs, are a net gain to the institution.

Still another incentive appears in the form of corporate donations of funds to a local school, which offers a tax deduction to the business. This money, when combined with a fifty percent match by the State, can be used to buy equipment. The equipment, in turn, can be leased to businesses in support of the industry-specific training program. The business community acquires equipment for the duration of the training activity at fifty percent of total cost, minus the tax deduction. The local school gains entree to the business community and retains title to the new equipment.

The High Technology Training Resource Center serves a clearinghouse and technical assistance function. The Center brokers activities for participating educational institutions. Technical writers and curriculum developers are employed on an as-needed basis to work with corporate clients. The goal is to trigger training activities that would not have occurred otherwise, and then to step out when the activity has become self-sustaining. A State objective in funding such activities is to build curriculum capacity for multiple applications, through investment in one company's training.

The new Job Development Fund, as well as the State's commitment of resources through the Industry Training Program, offers employers a menu of choices among area vocational-technical schools, community colleges, proprietary schools and in some cases their own corporate support unit, such as the Chrysler Training Institute, which offers associate degrees to employees. And, even within an institutional setting such as the community college, new dynamics are created between the traditional extension or continuing education unit and the new kid on the block who has arrived with earmarked State funds in hand.

Montana

No information has been provided by the individuals contacted. The State's Department of Commerce operates a program called Build Montana.

Nebraska

The Nebraska Job Training Act was enacted by the Legislature during its 1984 session. One provision of this Act, which is administered by the Commissioner of the Department of Labor, is to "delegate to State agencies the authority to assist with employment training, including on-the-job training, using funds appropriated for economic development by the Legislature. The Legislature finds and declares that such training provides skill enhancement necessary to expand existing industry and to attract new industry, thereby creating new jobs, which expand the State's economic base."

No other information about the actual operation of the Job Training Program in Nebraska is available at this time.

Nevada

During its 1985 session, The Nevada Legislature enacted a bill providing that "the Commission on Economic Development, to the extent of legislative appropriations, may grant money to a postsecondary educational institution to develop a program for vocational education which is designed to teach skills in a short time to persons who are needed for employment by new or existing businesses."

The Nevada Quick Start Job Training Program is administered by the State Commission on Economic Development. The Commission reviews all requests for State funding. The Commission then refers eligible applicants, which must be for-profit businesses in the State, to the Nevada Job Training Office. This agency is then responsible for developing the training plan and budget. Upon submission of completed plans, the Commission decides which to recommend for funding. **The actual funding decision is made on a case-by-case basis by the Interim Finance Committee of the Nevada Legislature.** When approved, the Job Training Office accepts fiscal responsibility for the Quick Start project.

The Nevada Job Training Office, as the assigned Coordinating Agency, delegates the actual development of the training plan to the Administrative Entity of one of the State's two JTPA Service Delivery Areas, in coordination with the nearest community college or other appropriate post-secondary education institution.

The Administrative Entity of the SDA is responsible for development of the training plan and budget, including ratification of a Memorandum of Agreement by the participating firm, the Job Training Office, the Commission on Economic Development, the cooperating Postsecondary Education Institution, the State Employment Security Department and the Administrative Entity itself.

All applicants must be screened by the Nevada Employment Security Department, which refers eligible individuals to the JTPA Administrative Entity and certifies TJTC eligibility. The Administrative Entity also cooperates in recruitment and screening and TJTC certification activities, as well as providing on-the-job training and support services to eligible trainees. The postsecondary training institution is responsible for the actual administration of the training plan, including curriculum development, acquisition of facilities, instructors, equipment and materials that will be required.

Participating businesses must contribute at least twenty-five percent of project costs in money or in-kind contributions. Trainees must be paid by the business If trainee production during training results in a good or service that is sold to the public. Otherwise, grants-in-aid for trainees are a reimbursable expense. Full use of Federal funds and other available State funds in support of trainee stipends is encouraged.

New Jersey

In 1974, the New Jersey Legislature enacted the Emergency Employment Development Act. This Act authorized the Commissioner of Labor and Industry to assist the Division of Economic Development in promoting and expanding employment opportunities in this State, and to enter into agreements with private employers, the Federal Government or any agency thereof, or any corporation, association, or public or private institution to provide training for residents of this State."

In 1978, the Legislature appropriated additional funds to be administered by the Department of Labor and Industry for the purpose of financing programs administered by the Office of Customized Training in the Division of Economic Development. Currently, the Office of Customized Training is administered through the State's Department of Labor.

Employer eligibility criteria are stated as: new, expanding, encountering significant skill shortages, or affected by technological change and requiring employee skill upgrading.

Both classroom and on-the-job training are offered. Up to fifty percent of wages during on-the-job training are reimbursable. Entry-level, upgrading, retraining and supervisory training are provided.

New Hampshire

New Hampshire does not have a State funded industry-specific training program.

New Mexico

The New Mexico Legislature passed a Development Training Act in 19[??]. This Act provides for cooperative involvement of both the Department of Commerce and Industry and the Department of Education.

The Board of Economic Development of the Department of Commerce and Industry is responsible for receiving applications from eligible new and expanding businesses that are unable to satisfy their skill requirements from available unemployed or underemployed individuals.

The Department of Education is the fiscal agent for both pre-employment training and in-plant training. The amount to be reimbursed is determined by the Division of Vocational Education, based on training requirements and wage rates. Up to one-half of wage payments is reimbursable during training with a ceiling of $3,500.

New York

The New York Legislature appears to have backed into the appropriation of funds for industry-specific training, but in doing so has achieved substantial leverage by complementing related uses of Federal funds.

In 1984, the New York Legislature passed a bill providing for teachers to receive State matching funds for designated summer employment in private industry that would enhance their teaching skills. Included in the Act is a provision that "the lesser of forty thousand dollars or one per cent of the total appropriation for the purposes of this section [is to be given] to each region for administering and conducting employer specific training and employment programs."

The 1984 legislation stipulated that local education agencies could apply to the Commissioner of the State Education Department for grants to conduct training "designed to support, supplement and contribute to the expansion and maintenance of the economy of the state." Retraining and upgrading training was authorized with the State contribution being limited to no more than fifty percent of the total costs incurred, with trainee wages paid by the employer during training being treated as a cost contribution.

In 1986, the Act was amended to include "providing training to individuals to promote the successful management and/or operation of a business purchased by such individuals to provide for their continued employment through the formation of a worker owned cooperative or an employee stock ownership plan."

Additional provisions in the 1986 amendments provide for earmarked funding in support of dislocated workers and economically disadvantaged individuals and an annual reporting of participation, completion and placement rates for training grant programs funded through both State and Federal sources, with particular emphasis on these targeted groups.

Provisions for cooperative agreements among economic development agencies are required. Comments on proposed grant actions are to be solicited from "the regional economic development council, regional education center for economic development coordinating committee, technology development council, Private Industry Council, and other appropriate entities within the region as identified by the Commissioner of the Department of Education, the Commissioner of Commerce or the Chairman of the Urban Development Corporation." These amendments coincide with recommendations contained in a February 1986 evaluation of the State's employer-specific skill training grant program.[18]

The evaluation report cited above reports that 39 percent of expenditures during fiscal year 1985 on employer-specific skill training grants were from State funds, with the other 61 percent being split between JTPA Title III and 8% funds and Carl D. Perkins Vocational Act funding.[19]

The firm-specific training grants program is administered through the Bureau of Economic Development Coordination in the State Department of Education. Created in response to a 1983 Regents Policy Statement this Bureau coordinates the activities of ten Regional Education Centers for Economic Development, which is coterminous with the Commerce Department's regional jurisdictions and those of the Governor's Regional Economic Development Councils. The Education Centers are responsible for both clearinghouse and technical assistance functions.

The language of the 1986 amendments and the content of the evaluation report cited earlier indicate how difficult it is to accommodate a new player at the table who brings chips w1th them.

North Carolina[20]

In 1957, acting in response to the Governor's request, the North Carolina General Assembly provided for the establishment of industrial education centers to demonstrate the State's commitment to offer employers a productive labor force. Six years later these centers, the five then-existing community colleges and several vocational education extension units were incorporated into a unified system. Today, there are fifty-eight technical institutes, technical colleges and community colleges in North Carolina.

Since 1981, the North Carolina community college system has been governed by the state Board of Community Colleges. The Department of Community Colleges includes an Industry Services Division. Staff members from this Division are co-located with counterparts from the Department of Commerce's Industry Services Division in seven regional centers throughout the State.

Most of the actual training in North Carolina is conducted on employer premises using employer-provided instructors. State funds may be used for instructor salaries and travel expenses, administrative costs, consumption of non-salvageable materials, lease and operation of temporary training facilities and other related expenses.

Employers are encouraged to use the North Carolina Employment Security Commission offices for recruitment, testing and screening, but they are not required to do so. Employers are encouraged to hire trainees who successfully complete a program, but they are not required to do so.

In 1980, a nonprofit Microelectronics Center of North Carolina was incorporated. Drawing upon private, State and Federal funds this organization is intended to coordinate the activities of the Community College system, the State Colleges and Universities, Duke University, and the nonprofit Research Triangle Institute.

All training programs are locally administered through an educational institution. Industrial training specialists work with company personnel to develop a viable plan for funding. There are no limits on the permissible length of a training program.

The State's public relations brochure states that the industrial training service is financed solely by the state of North Carolina. There are no Federal funds involved. The North Carolina Legislature appropriates State money directly to the Department of Community Colleges for the exclusive purpose of providing this training service to the State's new and expanding manufacturing industries.

The employer eligibility criterion in North Carolina is a minimum of 12 new production jobs in North Carolina by a new or expanding manufacturing enterprise.

In 1985, the North Carolina General Assembly enacted a Job Training Partnership Act, which required the Director of the Budget to develop a comprehensive inventory of State administered employment and training programs. This report was released in May 1986. Thirty-two programs administered by nine State Divisions are reviewed. This type of document would be of substantial value in many of the States that are still trying to sort out what they have in place, as a step toward deciding what State coordinating actions are required.

North Dakota

The North Dakota Legislature created the State's Economic Development Commission in 1967. The Specialized Training Program was established in 1981, within the State Board for vocational Education, to coordinate employer-specific skill training conducted in support of the State's economic development objectives.

The types of service offered are typical of those listed earlier for a number of other States—technical assistance in developing a training plan, qualified instructors and appropriate facilities in which to conduct the training.

The North Dakota Job Service is available to assist in recruitment, testing and screening trainees.

The Governor's Employment and Training Forum brings together business owners, Chief Executive Officers, State agency executives and informed citizens. Regional Forum Employment and Training Committees extend this network into all parts of the State.

Ohio

The Ohio story exemplifies why a dynamic perspective on industry-specific training is so important. Cross-section slices of the Ohio experience offer very little insight about how the program has evolved, and where it is going in the near future. The same observation could be made about almost every program that has been examined.

The story begins in 1979, when the Ohio Department of Development and the Division of Vocational Education each assigned a staff member to be responsible for coordinating skill-training activities conducted in support of economic development objectives.[21] **The Vocational Education designee brought important credentials within the vocational education and business communities throughout the State. The Department of Development designate brought access to top management of major corporations in the State, through both Departmental affiliation and the Governor's support of economic development initiatives. Both agencies agreed at this time that the Federal employment and training efforts were seriously stigmatized.**

Drawing upon existing funds within the Vocational Education Division its representative assembled twenty-three local consortia of vocational educators, Chamber of Commerce representatives and other key figures in local economic affairs.

Finally, in 1981, the Ohio Legislature earmarked State funds for industry-specific training purposes. This was done by providing that **a designated amount of money would be transferred from Post-secondary Vocational Education to "an appropriate account in the Intra-governmental Service Fund of the Department of Economic and Community Development." This transfer was to take place only upon the request of the Director of the Department of Economic and Community Development with the concurrence of the Superintendent of Public Instruction and the approval of the Director of the Office of Management and Budget.**

The 1981 Act continued: "The transferred funds are for the training of skilled workers at vocational or technical schools or higher education institutions for new businesses or industries in Ohio and those in Ohio expanding their operations. The funds may be used for the full cost of training, student stipends, supplies, the purchase or rental of equipment not available through vocational or technical schools, for rental of facilities when not available through vocational education or higher education institutions and for the training of instructors for specialized machinery or processes including salaries, maintenance and travel outside of the State or country for such training."

A 1982 amendment to this Act added existing businesses or industries in Ohio in which jobs will be retained as the result of worker training to the statement of eligibility, and added administrative costs incurred by the consortia as reimbursable expenses. This timing is a reflection of the recession of 1980-82, which put pressure on many of the States to respond to a need for incumbent employee retraining if firms were going to remain viable in the face of international competition. The appropriateness of this action by a State is not questioned at this point.

Effective in 1986, the agencies have agreed that the Legislative appropriation will be made directly to the renamed Department of Development for Industrial Training Program purposes.

Currently, the Industrial Training Program operates out of the Department of Development using 19 active consortia as the administrative vehicle to negotiate proposals with individual employers. These proposals are then submitted to the Program Director for approval with the concurrence of the Vocational Education Division. There is no formula for allocation of funds among the consortia, which creates a competitive force among them, particularly early in a budget year.

Public educational institutions are used as the fiscal agents for all awards of State funds.

Significant projects that exceed the funding capacity of the Industrial Training Program are submitted to the State Legislature for special appropriation consideration.

Oklahoma

Oklahoma is a perfect example of the "orbits of coercive comparison" concept. In 1967, the Governor sent staff members to both North Carolina and South Carolina to determine whether their programs warranted adoption in the State. Soon after this a separate State Department of Vocational and Technical Education was created, with a Special Schools Division similar to South Carolina's assigned responsibility for custom-tailored job training programs.

An Industrial Technical Services Division of the State Department of Vocational and Technical Education was co-located with the Department of Economic Development to be responsible for supporting the economic development agency's identification of industry training needs. The Director of the Department of Vocational and Technical Education at that time is now the Director of the Department of Economic Development.

A 1985 reorganization of the State Department of Vocational and Technical Education established an Assistant State Director for Business and Industry Services position, with the already existing Training for Industry Program (TIP) being managed through a Technical Training Support Services Division. Also under this Assistant Director's authority is a Business/Industrial Training Services Division and an Industrial Technical Services Division. The area vocational-technical schools and employment and training program liaison functions are managed through a separate Assistant Director's authority.

The TIP provides pre-employment training prior to hire, pre-production training in a classroom setting after hire and on-the-job training. Priorities for training location are: in a local area vocational-technical school whenever possible; in-plant if necessary; and in leased space if neither of the other options is feasible.

The State Department relies upon Field Service Coordinators to assist area vocational-technical schools in delivering their services.

A certification program for the State Department's Industrial Coordinators has been instituted within the past year. The purpose of this program is to assure uniform qualification of the individuals who represent the State Department in the field with the business community. Certification is based on completion of an intensive training program and recertification is required every two years. This move was taken when the 1985 reorganization decentralized responsibility among the 41 coordinators located throughout the State.

SEGUE TO CONCLUSIONS

Thirty-six State industry-specific training programs have been covered in alphabetical order. Fourteen States remain. Eleven of these have programs, but none includes unusual features that distinguish them from those already covered. Three States—Rhode Island, South Dakota and Wyoming, do not have industry-specific training programs.

Pertinent documents received from the eleven States not covered here are referenced below.

OREGON

FINAL REPORT TO THE OREGON LEGISLATIVE ASSEMBLY: "The Legislative Role in the JTPA and Linking Job Training with Economic Development," May 1984.

PENNSYLVANIA

Act 1985-116, and funding guidelines.

SOUTH CAROLINA

Annual Report (State Board) 1984-85; Planning for Profit, Progress, Productivity; History of Technical Education in South Carolina; *Impact* (Summer, 1986 issue).

TENNESSEE

Industrial Training Service, Four-Page Marketing Brochure.

TEXAS

One page letter description.

UTAH

Marketing brochure.

VERMONT

Chapter 22. Employment Training Program, 1977 (amended, 1981); *Doing Business in Vermont*, Vol. 1 (March 1986).

VIRGINIA

Virginia Industrial Training Brochure.

WASHINGTON

Chapter 490-300 WAC; Washington State Job Skills Program; Washington State Job Skills Program: *Application Guide*.

WEST VIRGINIA

House Bill No. 7, (1960); Article 2B. Area Vocational Program; Industrial Development Training Team: JTPA Approach.

WISCONSIN

Assembly Bill 1 (July 15, 1986); Department of Development 560.095, *Later Training Program*; The Wisconsin Foundation Packet.

CONCLUSIONS

This report is intended for those in each State who are responsible for some part of the skill-training sector. This includes staff people in governors' offices and for State legislative committees; administrators in State Departments of Vocational-Technical Education, Economic Development, Labor, and Post-secondary Education; directors of community-based organizations; managers of business, labor, and public interest associations and business executives.

One certain effect that this report will have is to quicken the pace of change. Satchel Paige said don't look back someone may be gaining on you. Here, we have looked back and yes someone is gaining on you. Many individuals have told me that they eagerly awaited this documentation, so they can go to their State legislature or governor with evidence of a need to take another bold step.

States that were experiencing two quite different levels of well being at the time have taken bold steps in the past:

1. **We can easily identify States that could either reliably predict a crisis or were actually in one. For these States, the commitment of State revenues to industry-specific training was seen as a necessity to maintain or regain economic viability.**

2. **It is just as easy to pick out States that acted at a time of plenty. Here, the precipitating cause for action appears to have been a window of opportunity. Resources were available for new initiatives and someone chose industry-specific training as a politically attractive investment in the State's future.**

The legacy of these different origins is visible in the statutes and operating principles of today's State programs. A few exhibit cumbersome bureaucratic approval procedures, which limits the State's ability to offer timely answers to questions about resource availability. At the other end of a continuum, a few appear to have virtually unlimited flexibility to respond on the spot.

One measure of the imbalance of power that now exists between the public agent and the corporate executive who is requesting a commitment of State general revenue funds is the limited amount of information each State has about what is going on elsewhere. The National Association of Industry-specific Training Programs, the National Conference of State Legislatures and the National Governors' Association each continue to make valiant efforts in this regard. However, the level of activity of site-consultants and both domestic and foreign corporate agents in State Houses throughout the Nation has shifted the historical boundary between the public- and private-sectors toward substantially greater State participation in the costs of securing and maintaining a competitive work force.

Creative thinking is required to solve the dilemma that now confronts a governor's agent in the negotiation of a State commitment of general revenue funds to a specific employer. Obviously, a question the State agent would like to be able to answer is: What is the minimum commitment that is necessary to assure the desired action?

Assume that the desired action is the training and subsequent employment of a specified number of the State's residents. The answer can range from zero if no State commitment is really required to undefinable if even an open-ended State commitment would be insufficient to guarantee the desired action.

At the present time, no State knows where they are on this continuum when they are dealing with a particular client. Some location advantages and industry agglomeration factors offer useful hints, but the State agent is extremely vulnerable.

The dilemma is compounded by the fact that the short-run political payoff to winning a highly publicized interstate competition, such as the recent Saturn extravaganza, is very high. The payoff, positive or negative, to the State will be played out over a number of years.

The combination of highly mobile capital, rapid movement along a learning-curve about what the State resource commitment possibilities are and a growing spending coalition of both public- and private-sector agents who have a common interest in the growth of the activity should signal an urgent need to examine practical actions that can be taken to redress the current imbalance of power between the private and public negotiators.

ENDNOTES

1. "KY to pick Up Toyota Payroll for 6 Months," Columbus, OH *Press*, September 10, 1986, p. 1A.

2. Assembly Bill 1, Wisconsin Legislature, July 1986 Special Session.

3. *Missouri Enterprise*, 6:3 (July 1986), pp. 1 and 7.

4. Dale D. Buss and Melinda Grenier Guiles, "GM Slows Big Drive for Saturn to Produce Small Car in Five Years," *The Wall Street Journal*, October 30, 1986, p. 1.

5. *Federal Role in State Industrial Development Programs*, Congressional Budget Office, Congress of the United States, July 1984, p. 79; Larry C. Ledebur and David W. Rasmussen, *State Development Incentives*, The Urban Institute, Washington: DC, May 10, 1983, p. iii; and Paul V. Braden, *Analysis of the Cost- Effectiveness of Selected Government Supported Training Programs*, Virginia Polytechnic Institute and State University, Blacksburg: VA, December 1984.

6. Peter F. Drucker, "The Changed World Economy," *Foreign Affairs*, (1986), pp. 768-791.

7. Joel P. Clark and Merton C. Flemings, "Advanced Materials and the Economy," *Scientific American*, 255:4 (October 1986), pp. 51-57.

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12. James C. Cobb, *Selling of the South: The Southern Crusade For Economic Development: 1936-1980*, Louisiana State University Press, Baton Rouge: LA, 1982.

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14. *A Review of the Employment Training Panel program (pursuant to CH 1074/82)*, Legislative Analyst, State of California, Sacramento, CA, April 1986, p. 17.

15. *Study of the California Employment Training Panel*, Arthur Young, Los Angeles: CA, May 1985, 37 pp. + appendices.

16. *Ibid*.

17. Flynn, *loc cit*.

18. Richard McGahey, "An Evaluation of the New' York State's Employer-Specific Skill Training Grant Program," Urban Research Center, New York University, New York: NY, February 1986, 43 pp.

19. *Ibid*, p. 6. Also see: *Training and Economic Development: The Impact of Industry Specific Training on Business and the Economy of New York State*, Bureau of Occupational Education Research and Evaluation, Office of Occupational and Continuing Education, the State Education Department, Albany: NY, (undated but post-1983), 71 pp.

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