October 2, 2009

Daniel W. Hancock, Chairman
Little Hoover Commission
State of California
925 L Street, Suite 805
Sacramento, CA 95814

Subject: California's Coordination of Economic and Workforce Development Activities

Chairman Hancock and Members of the Commission:

Thank you for your invitation to comment on the Commission's study of the state's coordination of economic development activities.

Background: I serve as the President of the Economic Development Collaborative – Ventura County. Prior to this, I accumulated 20 years of experience in workforce development, as Director of the Workforce Investment Boards for the County of Ventura and for the City of Los Angeles, as Ventura County's CalWORKs and welfare-to-work administrator, and as Deputy Director of the California Workforce Association.

The EDC-VC is a non-profit, public/private partnership, whose mission is to maintain a healthy Ventura County economy through collaboration, education and training as a means to create and sustain quality jobs and improve wealth, enhancing the standard of living and quality of life throughout Ventura County. Our governing board includes city council members from each of the county's ten cities, two members of the County Board of Supervisors and 18 business and private sector representatives.

Our core services include Loan Programs, stimulating job creation by making available below-market financing for existing and new businesses that may not qualify for conventional loans, and a Business Enhancement Program, providing employers access to essential business resources to sustain jobs and improve companies' economic stability. For this latter we are funded by the cities and county of Ventura and by the Ventura County Workforce Investment Board. We also administer a California Employment Training Panel Multiple Employer Contract and convene our region's monthly economic development roundtable meeting.

How does EDC-VC integrate its workforce strategy into a larger economic development strategy? As noted above, one of our core services is a Business Enhancement Program, funded in large measure by the Ventura County Workforce Investment Board, through an allocation of its Rapid Response funds. With that partnership as background, we have three strategic interests in the coordination of workforce and economic development:

- First, relative to our larger strategy in economic development, our Business Enhancement Program is quintessentially a *business retention activity.* Whether it is during the current recession or in good times, one of the core functions of economic development is business and job retention. We market this activity as Business 911, *dedicated to layoff aversion,* helping to assure businesses remain in business and retain their workforce, preventing workers from falling into unemployment. This is a shared goal with our local workforce partners, though statewide, workforce investment in business retention has historically been all but non-existent. *We need state workforce and economic development leadership to join forces for promoting and coordinating joint investments in job retention and layoff aversion.*

- Second, and beyond this immediate interest in layoff aversion, we are invested in assisting local businesses develop the skills of their workforce. As we work with businesses to defend against layoffs, we routinely re-discover that *business competitiveness depends on the development of new skills and human capital.* Programmatically, we are just now implementing a partnership with the Ventura WIB to work with businesses to develop work-based, customized training agreements, facilitating business awareness about local training resources and arranging for direct workforce system investment in their workers' skills. Statewide, the important message is that we *need greater investment in business demand-driven training, connecting workers to career ladders to better pay and benefits, and better assuring that workforce investments are in direct response to the needs of business.*

- Third, and underlying both points above, is the development and nurturing of a broader organizational partnership between our region's workforce and economic development boards. While our relationship as outlined above is primarily contractual and programmatic, we are also dedicated to a continual campaign of awareness, that *workforce skills are a prerequisite to economic competitiveness in an economy ever more dependent on innovation.* It is our belief that to achieve any progress in our goals for a sound economy—such that creates workforce opportunity—our efforts require the coordinated words and action of both workforce and economic development leaders.

How does EDC-VC measure success? Our over-arching measures of success are *jobs retained and jobs created.*

In our layoff aversion programs, our process is first to identify a job "at-risk" of layoff based on a close interview with the business owner. An at-risk job is one identified by the employer—that is, acknowledging that without some change in the direction the business is going the position or positions are seriously at risk of not continuing—and jointly recognized by our professional business planning and development consultants. A job is recorded as "retained" when some two months after our counseling, referrals, and direct service intervention are concluded, we confirm that the business is still in business and the "at-risk" workers are still on the job. By this measure we document job retention for over 100 workers annually. It is not a perfect measure, but it is consistently applied, employer-verified, and a strong and reasonable proxy for measurable positive impact on business and job retention.

For jobs created, we conservatively restrict our count to jobs created as a result of direct business lending, requiring that at least one job is created for every $25,000 loaned. On an estimated $1 million loaned out by the end of this calendar year, we project a count of not less than 50 jobs created. This is a conservative and verified number, using direct follow-up for confirmation, and secured as a requirement of the lending. If the jobs are not created and retained, our loan documents allow us to call the note.

We recognize that these are fairly narrow measures, but we are cautious relative to claiming too much and risking credibility. Beyond these, we track the total number of businesses served annually, not for specific outcomes, but to document engagement and the reach of our activities, serving some 300 businesses annually with direct services.

Finally, as a regional collaborative, we measure our success by the continuing investment of our public and private partners. Over the last two years, our organizational membership is up and our budget and member investment is growing.

How can the state's workforce development programs be better organized and coordinated to improve regional and statewide economic growth? We recommend four fundamental investments and changes in current state policy and practice to stimulate workforce and economic development partnership in the field and to improve the direct delivery of essential services for businesses and their workforce.

The first two recommendations address the state's use of WIA discretionary funds administered by the California Workforce Investment Board (CWIB).

1) We strongly recommend a CWIB allocation of WIA discretionary funds for business retention. We believe the preferred model would be to establish a statewide fund to incentivize local investment in layoff aversion, such that a local Workforce

Investment Board could only access the state incentive fund if it first allocates its own resources to this service activity.

For example, if a Local WIB dedicated $50,000 to layoff aversion, it would be eligible for a matching contribution from the state fund, subject to specific outcomes established by the CWIB and negotiated with the Local WIB. Any continuing use of this fund would be restricted to Local Areas that exceed outcomes as contracted. An initial allocation of only $2,450,000 of CWIB Discretionary Funds would be sufficient for all 49 Local WIBs in the state to participate at $50,000 each (though this model would be far improved by a larger allocation and greater fund availability for larger Workforce Areas).

The method for programming these funds could vary by region, but we strongly encourage that a state allocation to a Local Area must require some contractual partnership with local, professional economic development or business service organizations. The purpose of that is to build local workforce/economic development collaboration, as an equally valid goal alongside the specific layoff aversion outcomes. Most importantly, this model would use state funds to drive local policy, rewarding locals for making investments in the business demand side of the labor market equation, helping to retain the business base we already have.

2) We strongly recommend a CWIB allocation of WIA discretionary funds to incentivize local investment in industry demand driven training. While making this recommendation, we understand that the CWIB does allocate funds to industry specific activities (health care and green jobs are good examples), but we recommend an adjustment to the current strategy, such that the CWIB would establish a set-aside fund, making it available to Local WIBs only on a matching basis to the Locals' direct investment in demand-driven, industry sector training.

   What this model offers in distinction to current policy is a requirement that Locals may only access State discretionary funding if they put up their own local resources to the same purpose, and that it allows Locals to identify what are the local industry priorities. Among the advantages of this strategy is that it makes better use of the Economic Strategy Panels' regional workforce and economic development resources, again, by incentivizing Locals for investing in industries with strong regional economic value.

   We are aware that this recommendation may appear to run counter to current CWIB policy requiring a competitive solicitation process before distributing its discretionary funds, but we believe the process we're recommending achieves its goals for competition by requiring Locals to put in its funds first. Another reason we believe our recommendation represents a policy improvement is that it is more likely to result in systemic change at the local level, relative to the allocation of local resources. Currently, few Local WIBs are significantly invested in demand driven or industry sector based training, spending primarily instead on baseline one-stop and labor exchange operations. Too often, the current Local WIB strategy can be characterized as hoping every year for one of a small number of awards of State discretionary funds, to invest in demand driven training as a secondary priority, relying for this purpose on state funds rather than its own formula allocation.

Our recommended model would move Local Areas more toward considering investments in training and in business partnerships as a first, not second, priority. Finally, our goal here is to move away from the current model of one-time investments, which rarely result in local systemic change or long-term coordination of resources.

3) Keep Employment Training Panel (ETP) funds fully allocated to the Panel, *fully invested in work-based training,* preventing and discontinuing the transfer of ETP to CalWORKs or to other programs. While we understand the transfer to CalWORKs is to support the employment side of welfare reform, we believe the transfer is in fact counter-productive, even to its stated goal. Though we'll concede that we don't have enough resources in California for investing in workforce preparation, we should not make the mistake of moving all our resources to that end, leaving business without investment. CalWORKs employment goals can't be achieved if the State is not willing to hold to even its minimal investments in the demand side of the labor market equation. We need to balance the ledger between investments in labor supply and labor demand, and increase ETP funding, assuring that it reaches businesses for training tied to industry need.

4) Expand the Enterprise Zone program to more regions. While this may not appear to be central to the day's discussion, in fact it is, inasmuch as a primary economic driver of an enterprise zone is to incentivize local hiring by tax credits. Whatever else enterprise zones do, this fundamental policy objective should not be overlooked. We are aware that there is a lot of debate about the effectiveness of enterprise zones, but I'd strongly urge some greater attention to the employers and workers who've benefited from the policies, and a more central concentration of analysis on the benefits to workers and the businesses that hire them. Enterprise zones are classically an economic development strategy, but they should not be overlooked for the degree to which they link workforce and economic development policy, practice and benefit.

In summary on this subject, California needs better to direct its discretionary WIA resources toward incentivizing local workforce and economic development partnerships, toward driving lasting change in local policy and practice. Further, California needs to preserve and increase its investments in demand-driven training through outcome-tested programs like

ETP, and expand its Enterprise Zone program to incentive more regions to invest in the hiring of the local workforce.

Though not the subject of detail here, we also urge the State to re-establish the state loan guarantee program, to establish new loan programs to expand its supports for business innovation, and return redevelopment funds to the local communities that generated them. All of these actions will create more industry demand for jobs and skilled workers.

Is California better served by a single voice for promoting both economic and workforce development? We believe the answer is yes, *but that developing a single voice does not require organizational realignment.* We are not trying to dodge the question, rather what we mean is that how the state organizes its resources among its agencies is far less important than having the separate agencies agreeing on some fundamental principles and coordinating their activities. In fact, having multi-agency buy-in to the same principles would be preferable to pushing programs into a single agency, without first securing statewide consensus on principles and strategies for delivering resources.

The single voice simply needs to articulate that workforce skills and business competitiveness are indeed wholly interdependent. In action, the various agencies of the state with resources in workforce and economic development must seek to coordinate, align and balance their investments between worker preparedness and business stabilization and growth, by the latter assuring that there are jobs available for both our resident workforce and for the skilled workers we hope to continue to attract.

Implementing our recommendations above would be a significant step toward demonstrating agreement on principles and coordination of workforce and economic development resources.

Thank you again for this opportunity to comment and participate in these deliberations. Should you have any questions, we would be happy to provide additional information. You may reach me any time at bruce.stenslie@edc-vc.com, 805-384-1800, x 24.

Sincerely,

Bruce Stenslie
President/CEO