

Testimony of Bill Bassitt
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I am pleased to respond to the request be to provide some input into the topics and the task that this commission has undertaken. In reading previous testimonies, I have come to realize that your task is even more complex than I could have imagined. The lack of consensus in what most of us in the business feel are the fundamentals of economic development manifested in previous testimony can only complicate your mission. But that is the beauty of diverse opinions and moreover, the multiple approaches individuals and communities take in conducting economic development. One size does not fit all and therein lays the California problem. I wish you luck.

As a quick background for perspective, The Stanislaus Economic Development and Workforce Alliance was formed in 2002 by business and community leaders along with the Board of Supervisors and the nine cities in the county. It is organized as a 501 (c) 6 private corporation with a comprehensive economic and workforce development mission. The Board of Supervisors via an agreement with the Alliance Board designated the Alliance as the Stanislaus County Workforce Investment Board. The Alliance absorbed most of the county's Department of Employment and Training personnel in function, while continuing their status as county employees. By agreement, the Board and its CEO have full responsibility for the operation of all workforce functions in the county. The county remains the fiscal agent for all WIA funds. Additionally, the Alliance is the host organization for a four county Small Business Development Center funded exclusively with private sector funds matching SBA grants. We operate a very aggressive business attraction program working in part in cooperation with the other seven counties in the Central Valley for marketing purposes. In 2007, the Alliance formed the Alliance Education Foundation as the foundational support for initiatives in restructuring the educational delivery system in Stanislaus County. We also operate a Business Research Center that serves the business community, investors and public sector partners with pro bono research, reports and demographic information. The Alliance also administers the Stanislaus County Enterprise Zone.

Questions posed by the Commission:

1) How does the Stanislaus Alliance align its workforce development programs with a larger economic development strategy?

The Alliance believes that workforce development and economic development need to be inextricably intertwined in order to maximize the effectiveness of either effort. The operational premise of the Alliance is based on a demand driven system where business needs direct our activities. We have incorporated the WorkKeys system to assist us in assessing job seekers' strengths and aptitudes compared to the specific requirements of

the assessed position that allows for better focus on possible training needs for job preparedness. Our board annually approves a list of the 25 top growth occupations, actual or forecast for our county and we provide training assistance only in those areas. These growth areas are identified through EDD projections, and actual compilation of job orders written or projected by our staff following interaction with our business community and industry analysis of trends and projections for our core industries. We do not place job seekers into training programs that aren't likely to lead to jobs. The actual interface between workforce development programs and economic development outreach occurs when Alliance representatives called Business Service Representatives call on businesses by request or those identified by staff as having opportunities or challenges. These BSRs are workforce staff that are fully integrated with the ED staff and broker all of the services of the Alliance while addressing the workforce needs of the business. We respond to those identified needs of business whether of a workforce or ED nature. This process sets the stage for involvement of our ED business assistance programs which might include an individual response to issues; formation of forums, workshops, or seminars; directly representing the business interest in issues with the public sector; connecting the business with appropriate financial, legal or other professional resources. The BSRs also sit in on and participate in all meetings with prospective clients and prospects for relocation, advising on elements of the workforce, training opportunities and presenting the full array of services, including resume searches, pre employment meetings, screening of candidates and job fairs.

Job orders that are written by the BSRs lead to job referrals from the workforce consultants who manage enrolled job seeker caseloads. On the job training (OJT) contracts, paid internships (PIs) and work experience (WEX) opportunities are all negotiated directly with the business by the BSRs. These BSR individuals become the go to contact for businesses that have any issues, concerns or opportunities and become invaluable to the business.

Board policy determinations on workforce development are always weighed in the context of the primary mission of economic development responsibilities to the community. The business demand system is always focused on meeting the needs of business. The Board clearly understands that business creates jobs and generates wealth and a tax base for the community. Business is our customer whether we look at it from a workforce development or an economic development perspective.

2) How does the Stanislaus Alliance measure success?

In the short term, workforce development is measured in several ways. The first and most public is the evaluation from the state of California on nine performance measurements. In program year 2007-2008 (the latest results) six of 49 Workforce Investment Areas in the state met or exceeded the standards. (The Alliance was one of the six). We also establish local performance measurements for the objectives outlined in our annual program of work. These include job orders, jobs filled, one-stop center activities,

business contacts, and outcomes and timeliness of responses to business referrals. In Economic Development locations, expansions, businesses assisted, start-ups, consultation hours, marketing contacts, and portfolio management are all measured.

Because of the complex nature of community economic development and workforce development and the systemic issues impacting both of these efforts, the Alliance is involved in many other community efforts to improve the community and are actually monitoring other indices of progress including per capita income, jobs to housing balance, educational attainment, poverty rates, crime rates, graduation rates, literacy rates, etc. Unless these systemic issues are addressed and improved in communities, all of the billions of dollars of welfare assistance, training assistance and job development activities will continue to make very little difference in the overall quality of life of a community.

3) Should the organizational lessons from the Stanislaus Alliance be replicated and leveraged in other regions, and at the state level?

Because of the basic philosophical difference in the traditional workforce providers and economic developers, an organizational structure such as the Alliance employs remains a difficult concept to sell. This isn't easy. My belief is that the structure provides a very comprehensive and effective way of accomplishing meaningful improvements in a community. However, decades of governmental directives in the delivery of workforce programs linked to a social services approach conflicts with the business demand system. Most WIBs' staffs are carryovers from the PIC, JTPA and even CETA and employ approaches that focus on the individual almost exclusively. This is in direct conflict with the way economic developers view how a community needs to respond to its businesses. Providers harboring this philosophy will have a very difficult time in embracing programs that involve business first. Can this structure be replicated? Yes. Can it be done easily? No. Should it be done regionally and at the State level? Not until the State has embraced and mandated a pro business attitude at all levels and manifests this through its treatment of business.

There are degrees of consolidation and obviously many structures that could be envisioned but given the level of divisiveness prevalent throughout the state, communities and regions will likely not easily agree on how to come together. The State can start by encouraging the merger of workforce programs with economic development programs by loosening the ties on WIA money and its use in assisting established businesses and encouraging job development activities. Common boards would help. Co location is important. The State through its policies and practices-both legislatively and administratively-can encourage the linkages necessary to leverage the two efforts.

4) How can the state's workforce development programs be better organized and coordinated to improve regional and statewide economic growth?

Eliminate the bureaucratic mentality of state administration and embrace an approach that allows local workforce development to assess and employ techniques that address their unique problems in the local communities. The institutional insanity of government that continues to hold that centralized command and its tenets fomented by Washington DC and handed down to the state capitals for further restrictive judgments (with the corresponding withholding of a proportionate share of the funding) flies in the face of the reality of local solutions to local problems. Maintain state involvement and a statewide advisory board, but without regulatory power. Let it serve as a clearinghouse for information and best practices. They should receive the local program parameters and evaluative criteria that the locals will employ to measure success. Every three years a panel of practitioners –peers in the business in California- could review the local WIBs' overall programs and assess the measured results. Approval by the panel would be necessary for the local program to be approved for another three-year period. The State could employ regional representatives that can broker information and provide assistance to the local boards and have no regulatory authority. Employ people in those positions that actually know something and have the experience to be a part of the solution, not political appointees. In this manner, the State can actually assist job creation at ground zero and not regulate from a 30,000-foot perspective.

I suspect that there will be significant consideration given to the formation of regional state offices to oversee both economic development and workforce development. Several states have tried this and I have experience in two such states. Ohio designed a system that created "Governor's regional offices to "assist" the locals. These offices were staffed by political appointees from the Governor's office and provided a point of contact and a body to represent the state at functions and events. North Carolina divided the state into several regions and directed the regions to form a policy board. Membership on the board consisted of individuals from economic development, workforce development, business, education and civic positions. These boards then hired experienced economic development directors to develop and implement regional strategies. I worked in the Ohio system and competed with the North Carolina system. Ohio is nearly as bad off as California and North Carolina consistently leads the nations in economic development successes. They get it.

5) Is California better served by a single voice for promoting both economic and workforce development?

It would be if the State actually had a voice that reflected a substantive understanding of either process. The current messages that come from the state (or for that matter what isn't said) speaks volumes about what the state doesn't know or care about promoting capitalism and its role in job creation and capital formation.

Please do not recommend such a structure until or unless the State actually adopts a strategy that reflects seriousness about meeting the needs of business and encourages a pro business attitude manifested by competitive incentive programs, training programs,

regulatory relief, and legislative and administrative actions that avoid the arrogance portrayed in our current attitude-“We’re California. Everyone wants to come here.”

Unless there is a true conversion of the legislative and administrative leaders to become business friendly and really demonstrate that with policies and programs to that effect, we would merely create an insulting pretense that would surely exacerbate the private sector’s contempt for state government

I would like to take advantage of this opportunity to enter some additional comments into this testimony that reflects some of the attitudes and opinions of my colleagues in the Central Valley as well as my own which are based on the perspective gained in working in global competition by working economic development in five states and 24 foreign countries over the past 28 years.

The State desperately needs to develop an economic development strategic plan that states specifically how it views its role in business development, job creation and physical and human infrastructure development for economic development. This is not a task exclusively for the politicians. It is essential that practitioners must have a prominent role in this process. And this strategic plan must carry the weight of a mandate for legislative action so that the implementation is a priority.

I would encourage the commissioning of a broadly constituted group to benchmark economic development practices in other states. We are not competitive for companies that have options where they can locate. Certainly with 38 million people, California is a market unto itself. And for those somewhat captive companies that choose to enter that market, the costs of doing business in California are merely passed on to their customers or the consumer. Others, who have options, are often aghast when they are told how much it will cost them for the privilege of doing business in this state. Until or unless there is a national industrial policy that is created and within that policy is the prohibition of incentives for companies, the incentive game will unfortunately dictate success or lack thereof in most cases. The benchmark study could identify programs for consideration. It is not uncommon for states to invest hundreds of thousands of dollars per job created to attract and keep companies in their locale. These investments take the form of tax credits, cash grants, utility contracts at sub market rates, waivers from sales taxes and development fees, training programs, free land, extension of infrastructure, and site preparation.

One indication of the realization that we need to provide encouragement and incentive for businesses to continue to invest in new technologies, new products and new processes would be to restore the Manufacturers Investment Tax Credit. In almost all cases, new equipment and expanded operations either maintain or create jobs in the all-important manufacturing sector.

Small Business Centers located in the six regions around the state are responsible for the creation of hundred of new businesses each year with the corresponding increase in jobs and tax investment. California barely provides the minimum to match the SBA grants supporting the centers. Pennsylvania, as an example, provides four times the SBA match to their centers. Additional state funding to the Small Business Development Centers would result in additional business formation and job creation.

On paper, the state's Employment Training Panel represents good training opportunities for companies to retrain incumbent workers. However, the administrative requirements and conditions associated with compliance with those requirements often dissuade many companies from considering this program. Yet, training for new and existing employees is one of the most critical components business face in this competitive environment. The benchmarking study would reveal a plethora of programs in other states that are incredibly valuable to businesses in their ease of access, cost (often free) and flexibility.

The private sector likes to operate at the "speed of business." California's community colleges are remarkable resources that are underutilized in comparison to other states and countries, largely because many of them cannot or will not react in a timely manner in establishing customized training programs for business or in establishing new curriculum to meet emerging career opportunities. There are several in the state that do a good job and they are even greater assets to their communities because they can deliver. These can represent models for the others to emulate with directives from the Chancellor's office. Community college funding priorities should not preclude career and retraining opportunities.

Once the State adopts a legitimate attitude of being business friendly and serious about promoting opportunities for business and job seekers with established programs to accomplish this, there needs to be a comprehensive marketing strategy that accentuates the assets of all regions of the state establishing the diversity and capacity of this state to capture new and emerging opportunities. Both national and international exposure must be insured with focus on the growth clusters identified in each region. Once again, participation must include practitioners from all areas of the state working with the professional marketing team.

Thank you for the opportunity to provide testimony in this important task.