

Manufacturing Development Commission
November 30, 2006
Williamsburg, Virginia

The Manufacturing Development Commission addressed a wide range of issues at its third meeting. Topics mirrored the primary concerns raised by manufacturers: the availability of a qualified workforce and the sector's tax and regulatory burdens.

Staff reported on the implementation of the recommendation of the Joint Subcommittee studying Noncredit Education for Workforce Training in Virginia (1998) that Virginia establish a funding mechanism for certified training programs offered by Community Colleges, at a ratio of 30% general funds and 70% non-general funds. The General Assembly adopted the recommendation ratio as a goal but has not appropriated sufficient funds to achieve it. While a lack of data makes projections difficult, the cost of the 30% funding goal for these programs was estimated at between \$8 and \$12 million. For the 2006-2008 biennium, the Commonwealth appropriated \$847,900, plus \$317,588 from money from the "Virginia Works" program, for a total of \$1.16 million, to the goal of funding 30% of the cost of work-related non-credit training courses from the General Fund.

Under the Community College System's policy that instruction needs to fully fund itself, the general fund moneys are allocated to increase the breadth and quality of services, and to increase participation by funding materials, infrastructure, and other overhead. The appropriations have not led to direct reductions in the cost of providing non-credit training courses. Rather, they are allocated by the VCCS for programs that will stimulate additional noncredit activity, such as program development, instructor training, and equipment.

Peter Blake, Vice Chancellor for Workforce Development Services at the Virginia Community College System, reported that workforce programs, including both open-enrollment and customized occupational courses and services, served over 95,000 individuals in fiscal year 2006. Of these, 45,106 attended courses that were paid for by their employers and customized for their specific companies. VCCS initiatives of interest to the Commission included the Career Readiness Certificates, which were awarded to 37,000 persons, and Career Coaches, now located in 72 Virginia high schools.

An issue of concern to the Commission is the disparity in costs between for-credit courses and non-credit business and industry work-related courses, which may cost three or four times as much. Members expressed an interest in reducing this disparity by making funding of non-credit courses a priority.

Dr. Marshall Smith of John Tyler Community College provided members of the Commission with an overview of the JTCC Manufacturing Coalition, which links businesses and the college to provide a trained workforce. The business members of the coalition designed a training vehicle known as Quick Start. Quick Start will consist of four hours of selection processes and four hours of Applied Technology Laboratory experience, with a 10-hour Introduction to Manufacturing course. Member businesses participate by paying membership fees that reimburse training costs. To date, 30 employers have committed to participate fully.

Participating companies post openings for full-time jobs, paying at least \$12 per hour with benefits and a clear career path, that will be available to Quick Start graduates.

The program was cited as an example of efforts underway throughout Virginia's Community College System to address the dire need for skilled workers. Members stressed the need to make young persons aware that modern manufacturing offers very good wages and opportunities, and growth in future years is expected to remain strong as aging workers retire. Rather than teaching children that college is the only worthwhile career path, efforts should be made to reach students in middle school, where career goals are often fixed.

Preston Wilhelm, Director of Workforce Services at the Department of Business Assistance, outlined the three main areas of the Virginia Jobs Investment Program: New Jobs, Retraining for Technological Change, and Small Business New Jobs. Over 300 of the Program's 575 projects were in the manufacturing sector. The Program is structured in a manner that ensures cost recovery by reimbursing an agreed-upon percentage of training costs (typically between 10% and 40%) after employees have been on the payroll for 90 days. The payback period on the investment was estimated to be 3.9 months. The Program currently is funded at a level of \$8.5 million, and it was estimated that the demand exists for another \$3 million in services.

Wilhelm reiterated the need to address a looming shortage in skilled tradesmen. The Virginia Employment Commission has projected that 40,000-50,000 skilled workers will be needed over the next 10 years. He suggested that the VCCS be given responsibility to lead a push to fund education for skilled trades.

Fletcher Magnum of Magnum Economic Consulting was added to the agenda at the meeting to present the first phase of the Virginia Manufacturing Association's Skilled Trades Pipeline Study. Under the first phase, the study has evaluated the demand and supply of skilled trades in Virginia, and identify where gaps between the two can be expected. The second phase will involve a survey of manufacturers in order to corroborate the expectations from the first phase. The study's examination of 12 skilled trade occupations identified large potential gaps for electricians, machine maintenance specialists, and welders.

Mark Rubin, Senior Advisor to the Governor, reported on the status of efforts to facilitate a consensus on issues pertaining to the taxation of machinery and tools by local governments. The issues under consideration include requiring localities to accept bona fide independent appraisals of machinery and tools, and the definition of idle machinery and tools. He noted that localities, Commissioners of the Revenue, manufacturers, the Department of Taxation, and the Secretary of Commerce and Trade have reached agreement on many issues, and he expressed hope that the final issue -- refunding tax payments based on actions taken in the past by some localities -- will soon be resolved. He also noted that participants agreed to look at broader issues regarding the machinery and tools tax during the next year.

Stephen A. Walz of the Department of Mines, Mineral and Energy provided a report on the status of the agency's preparation of the Virginia Energy Plan. The development of a statewide energy plan was a major part of Senate Bill 262, which originated with the Manufacturing Development Commission's predecessor's examination of the importance of energy resources to

the manufacturing sector. The Plan is expected to be completed by June 2007. The 10-year plan will be updated every five years. Mr. Walz also reported on the status of Virginia's application to be the site of the federal long blade test facility for wind turbines. The final decision regarding the siting of the facility, which is intended to test blades with a length of up to 70 feet, is expected in the spring of 2007.

Justin C. Brown, Project Leader at the Joint Legislative Audit and Review Commission, presented the results of the analysis of the impact of regulations on Virginia's manufacturing sector. The study was mandated by Senate Joint Resolution 360 (2005), which was a recommendation of the Manufacturing Development Commission's predecessor. Key findings of JLARC's study include:

- Despite job losses, manufacturing is still critical to Virginia's economy
- Virginia's regulations were not the primary cause of job losses in the sector
- Manufacturers in the Commonwealth spent an estimated \$923 million to \$3.49 billion to comply with regulations in 2005
- Virginia's regulations generally follow federal regulations and are not substantially different from regulations in other selected states
- Supporting manufacturing requires considering other factors, including workforce issues and transportation infrastructure

Judy Begland, president of Opportunity, Inc., the Workforce Investment Board for 8 localities in south Hampton Roads, closed the meeting with a report on the workforce readiness curriculum. The curriculum grew from recommendations of a 1997 report by the Virginia occupational Information Coordinating Committee and the Department of Education's Office of Career and Technical Education. The curriculum provides a system for teaching the 13 identified workplace readiness skills in a manner that can be measured with the National Occupational Competency Testing Institute workplace readiness skills assessment. First developed for Virginia Beach Public Schools, it has been provided to 120 school districts in Virginia for use by high school career and technical education programs and other educators.

The Commission will hold its next meeting on Tuesday, January 9, 2007, at 1:30 p.m. in Richmond. At that time it expects to consider proposals for legislative initiatives. In addition, it plans to receive a briefing on the status of the Commonwealth's standards of learning for career technical education.