

SENATE OF VIRGINIA

# Senate Finance Committee



## Translating Education and Workforce Efforts into Economic Success

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SENATE FINANCE COMMITTEE

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# Introduction

April Kees, Jason Powell, Sarah Herzog  
**Senate Finance Committee Staff**



# The Challenges

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- Virginia must continue to diversify its economy and move away from over-reliance on federal funding.
- Businesses with fewer than 20 employees comprise about 20% of total employment and are critical to new job creation, but also have highest failure rates.
- Fostering an innovative and entrepreneurial culture will further enhance job creation efforts.
- The gap between existing workforce skills and employer demands will continue without a heightened focus on educating workers in the “middle-skills” or “middle-wage” areas.
- Virginians will need to further their education from “cradle to gray,” including adult reentry into education systems and programs for veterans.
- Businesses are renewing calls to focus on early childhood education so that the pipeline can be strengthened from the beginning.

***Addressing these challenges requires persistence and patience.***



# Virginia's Demographic Changes Will Impact Each Stage of the Pipeline

## FALL PUBLIC SCHOOL (K-12) ENROLLMENT BY RACE/ETHNICITY, 2004 AND 2013

Race / Ethnicity	Fall 2004 Enrollment	% of 2004 Total	Fall 2013 Enrollment	% of 2013 Total	Change, 2004 - 2013	
					Number	Percentage
Total	1,203,701	100.0%	1,273,210	100.0%	69,509	<b>5.8%</b>
White, NH	719,264	59.8%	664,369	52.2%	-54,895	<b>-7.6%</b>
Black, NH	321,303	26.7%	295,942	23.2%	-25,361	<b>-7.9%</b>
Hispanic	84,305	7.0%	166,269	13.1%	81,964	<b>97.2%</b>
Asian, NH	58,006	4.8%	80,689	6.3%	22,683	<b>39.1%</b>
Two or More, NH	N/ A	N/ A	60,072	4.7%	60,072	<b>N/A</b>
Other	20,823	1.7%	5,869	0.5%	-14,954	<b>-71.8%</b>
Economically Disadvantaged	351,609	29.2%	510,054	40.1%	158,445	<b>45.1%</b>
Limited English Proficiency	74,676	6.2%	125,857	9.9%	51,181	<b>68.5%</b>

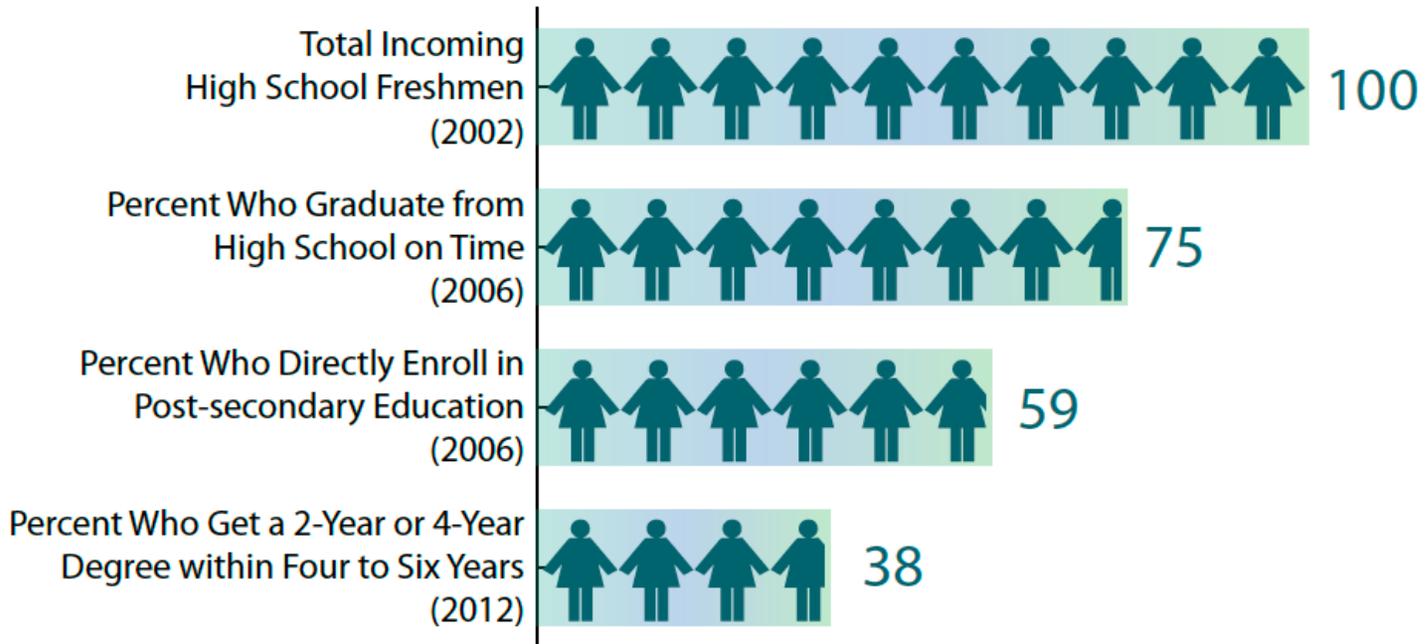
Note: Hispanics can be of any race; NH = non-Hispanic; "Other" for 2004 includes individuals of two or more races, a designation not used in 2004.  
Source: Virginia Department of Education.



# Where We Lose Students

## *Educational Attrition in Virginia:*

### The High School – College Pipeline (2012)



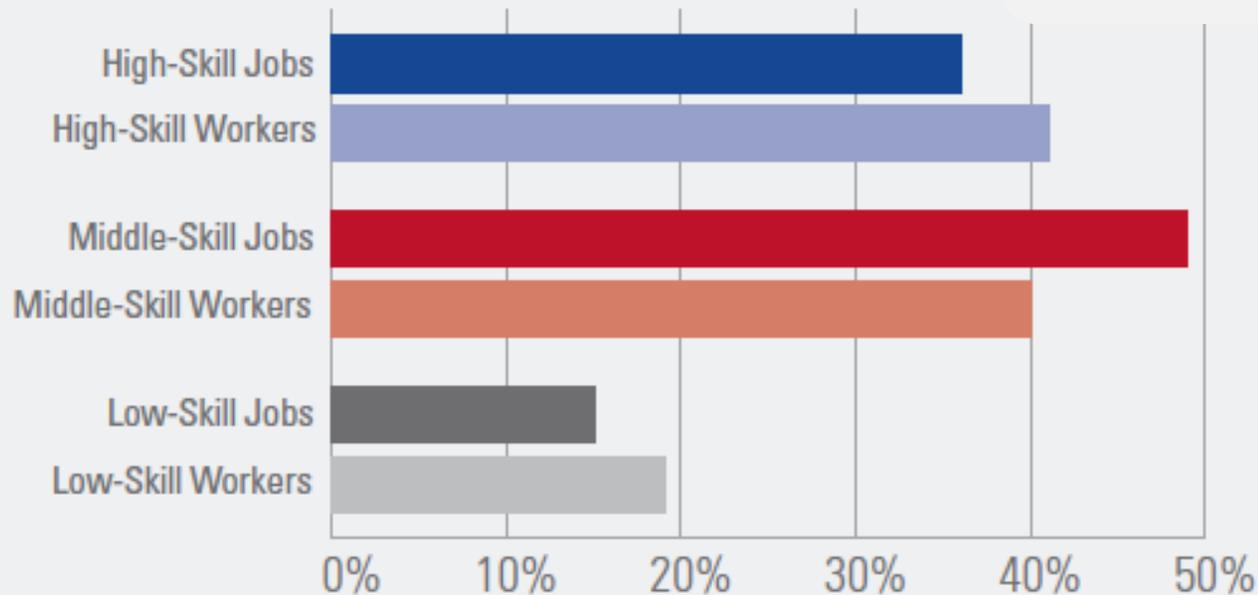
**DATA NOTES:**

Data from the National Center for Education Statistics (NCES) and the State Council for Higher Education in Virginia (SCHEV).  
Data does not reflect a uniform cohort and is not strictly longitudinal.



# Type of Training or Degree Matters

Jobs and Workers by Skill Level, Virginia, 2012



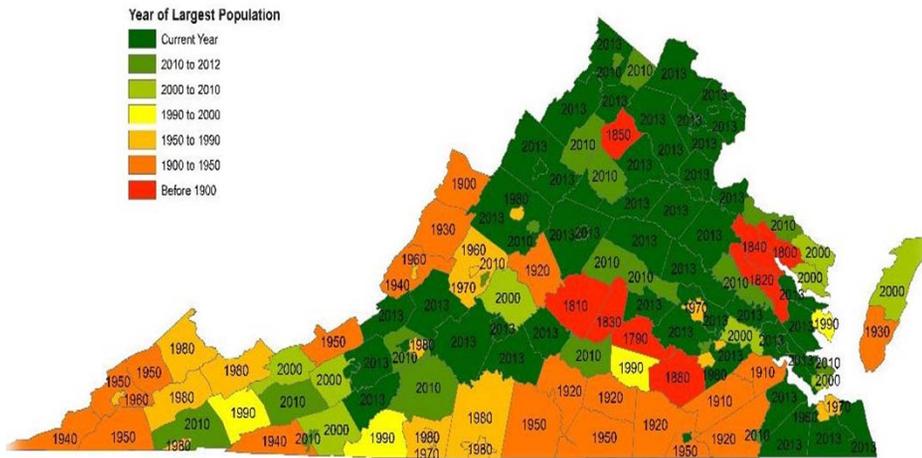
Middle-skill jobs account for 49 percent of Virginia's labor market, but only 40 percent of the state's workers are trained to the middle-skill level.

Source: NSC analysis of Bureau of Labor Statistics Occupational Employment Statistics by State, May 2012 and American Community Survey data, 2012.



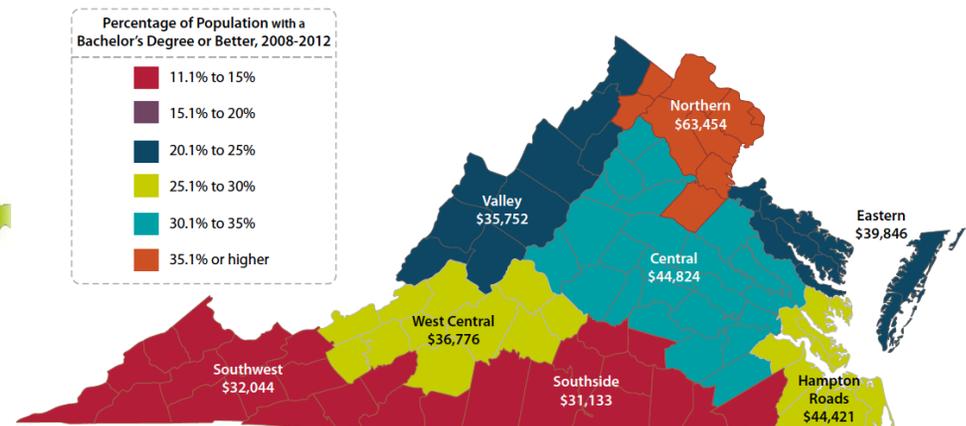
# Population has Moved to the Urban Regions; Attainment/Income Reflects this Shift

POPULATION CHANGES WITHIN VIRGINIA BY YEAR OF LARGEST POPULATION



Source: Weldon Cooper Center and ODU Regional Studies Institute, 2014.

EDUCATIONAL ATTAINMENT AND PERSONAL INCOME, BY VIRGINIA REGION, 2012



Source: Council on Virginia's Future, 2014.

- Despite demographic shifts of the past 40 years:
  - In the past 12 months, employment has grown faster in smaller metro regions.
  - Post-recession business startups are occurring faster per capita in Southside than Northern Virginia.

- Metro regions have both the highest educational attainment rates and personal income averages.
- Private business perceptions of our workforce capacity vary by region.

***Addressing this challenge requires balancing competing regional needs.***



# State Economic Development Programs Tend to Focus on Mature Organizations

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- Virginia has over 19 different economic development programs, administered by nine different agencies.
  - Incentives include an array of grants, loans, tax credits, and tax exemptions.
- Traditional programs primarily focus on growing existing large companies and recruiting new large firms.
- Traditional small firm formation is not the province of any single agency.
  - Limited state funding available for small firm formation is technology sector specific.
  - Similar investments have been made through FACT Fund projects.
  - University foundations are making venture capital investments in startup companies (VT Investor Network).
  - Inter-university collaboration should be an area of increased focus to improve commercialization clusters and increase R&D investment (Federal i6 Challenge).



# The “New” Virginia Economy: Not Business As Usual

Traditional Economic Development	“New” Virginia Economy
Large company attraction	Focus on small firms
Reliance on manufacturing and traditional industries	Commercialization clusters (universities, federal labs, military)
Focus on workforce retraining	Collaborative partnerships and research
Incentive programs and payout focused on after-the-fact job creation and capital investment	Creation of emerging markets
Does not recognize the importance of local organic growth	Technology-based entrepreneurship
	Credentialing programs based on emerging technologies
	New technology for traditional industry
	Transformational research

*Real economic growth requires balancing “buffalo hunting” and “economic gardening.”*



# In Virginia, Much Groundwork Has Been Done and There is Momentum for Next Steps

## Selected Initiatives

**2008:**  
Career Pathways strategic plan developed to bridge business and education for the 21<sup>st</sup> century

**2009:**  
Virginia Longitudinal Data System developed as a federal system of existing education and VEC data - launched Sept. 2013

**2010:**  
College and Career Readiness Initiative refined expectations and increased rigor, with input from higher ed and the business community

**2011:**  
Top Jobs (TJ21) legislation articulated education attainment goals and focused attention on graduation and retention programs and on research

**2012:**  
Federal Action Contingency Trust (FACT) Fund created in part to help industries transition

**2013:**  
Mapping the Virginia Workforce System of 24 programs (apprentice, non-credit training, GED, workplace skills assessment) in 8 agencies aids coordination

**2014:**  
E.O. 23 (Aug.) establishing the "New Virginia Economy" Workforce Initiative (attainment, alignment, diversify, and veterans), and Virginia Summit on Economic Competitiveness & Higher Education (Sept.)



# Challenges and Opportunities

## Next Steps for 2015 Session and Beyond

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- A key fiscal challenge for the 2015 “Short Session” will be balancing further budget reductions with any “shovel-ready” high ROI actions (“no new initiatives” approach is not an option) while providing focus and structure to on-going strategic work.
  - ❑ Prioritize recent JLARC options for improving higher education efficiency and affordability (five-part series) as well as alignment of workforce development programs (Dec. 8).
  - ❑ Encourage the new, on-going SOL Innovation Committee, tasked with thinking broadly and creatively about fundamental issues; refer other potential ideas to in-progress JLARC report (due Nov. 2015), broadly charged with identifying ways to improve schools relative to spending.
  - ❑ Take next steps to examine the scope and adequacy of current economic development funding for small firm formation.
  - ❑ Consider other recommendations from national, state, and local experts.



# Articulated Vision/Goals Require Alignment, But Must Get to Prioritized Actionable Ideas

The College Board studied the pipeline as a single continuum with the goal of at least 55% of citizens holding a postsecondary degree by 2025 (2012 Progress Report):

- Low-Income Preschool
- Middle & High School Counseling
- **Dropout Prevention**
- Align K-12 standards with international & college admission expectations
- **Teacher Quality**
- Simplify college admission process
- **Need-based aid**
- **Keep college affordable**
- Reduce college dropouts
- **Provide post-secondary opportunities to adults**

The Virginia Chamber of Commerce facilitated development of *Blueprint Virginia: A Business Plan for the Commonwealth* (Sept. 2013):

- STEM-H and soft skills
- Question basic assumptions
- **High quality early childhood education**
- **Strengthen linkages between classroom and workplace**
- Financial education
- Community colleges as critical gateway
- Adapt to technological innovations
- Data and dissemination
- **Collaborative partnerships**
- Apprenticeships
- **Regional solutions**

Milstein Foundation-Miller Center's *Building a Nation of Makers* (June 2014) included six innovative actionable ideas for creating middle class manufacturing jobs:

- **Talent Investment Loans**
- **Upside-Down Degrees**
- Skills Census
- Mapping the Manufacturing Supply Chain
- **High School "Tech Ed" Certifications**
- "Big Trends-Small Firms"



# Possible Themes and Initiatives for On-Going Committee/Subcommittee Work Plans

## Front-load Investments for Maximum “Compound Interest”

- Encourage early post-secondary aspiration (and thus preparation) by “seeding” 529 plans for economically disadvantaged pre-school students; brain research on early music instruction.
- Elevate the teaching profession by recruiting more of the right people (leading organically to more autonomy/prestige/pay) and making the best use of the most effective teachers.

## Common Sense Options to Remove Barriers

- Develop a Higher Ed Ladder program, including stackable credits/credentials, an internship/apprenticeship opportunity matching database, and other components.

## Strategic Realignment and Collaboration

- Funding for early-stage proof-of-concept research for small business formation.
- Innovation Districts – apply economic gardening strategies to specific regional ties to universities, federal labs, and medical/technology resources.

*Action items from today’s panelists and others*



# Panel Discussion

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- Pamela Moran, Ed.D.  
Superintendent, Albemarle County Public Schools
- Billy Cannaday, Ed.D.  
Dean, School of Professional and Continuing Studies  
University of Virginia
- Bill Murray, Ph.D.  
Managing Director of Public Policy, Dominion Resources
- Liz Povar, Vice President for Business Expansion  
Virginia Economic Development Partnership
- Linda Fowler, Founder  
Regionerate, LLC



# Critical Questions

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1. What is the best path forward to increase postsecondary education levels and workforce credentials of Virginia's citizens?
2. What are Virginia's key challenges and opportunities in 1) aligning education with the needs of businesses, and 2) diversifying our economy?
3. What are the barriers to entrepreneurship and small business formation that the state could play a role in overcoming?
4. What three specific action items do you think Virginia should be considering?
5. What longer term strategic questions should we be asking?

