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BRIDGING THE SKILLS GAP: POLICIES TO HELP IOWA'S WORKERS AND SMALL BUSINESSES THRIVE

FIELD HEARING

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

AUGUST 16, 2019

Printed for the use of the Committee on Small Business and Entrepreneurship

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE
39–544 PDF WASHINGTON : 2020

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C O N T E N T S

OPENING STATEMENTS

	Page
Ernst, Hon. Joni, a U.S. Senator from Iowa	1

WITNESSES

Panel 1

Reynolds, Hon. Kim, Governor, State of Iowa, Des Moines, IA	3

Panel 2

Pol, Ms. Lana K., President and Owner, Geetings, Inc., Pella, IA	13
Denson, Mr. Rob, President, Des Moines Area Community College, Ankeny, IA	18
Cramer, Mr. Reynolds W., President and CEO, Fareway Stores, Inc., Boone, IA	27

ALPHABETICAL LISTING

Cramer, Mr. Reynolds W.	
Testimony	27
Prepared statement	28
Denson, Mr. Rob	
Testimony	18
Prepared statement	22
Ernst, Hon. Joni	
Opening statement	1
Pol, Ms. Lana K.	
Testimony	13
Prepared statement	16
Reynolds, Hon. Kim	
Testimony	3
Prepared statement	6

BRIDGING THE SKILLS GAP: POLICIES TO HELP IOWA'S WORKERS AND SMALL BUSINESSES THRIVE

FRIDAY, AUGUST 16, 2019

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Des Moines, IA.

The Committee met, pursuant to notice, at 10:28 a.m., in Rooms 302-303, Iowa Events Center, Hon. Joni Ernst, presiding.

Present: Senator Ernst.

OPENING STATEMENT OF HON. JONI ERNST, A U.S. SENATOR FROM IOWA

Senator ERNST. The Senate Committee on Small Business and Entrepreneurship will come to order. Thank you all for being here today, and welcome to all of our wonderful witnesses.

Today's hearing is titled "Bridging the Skills Gap: Policies to Help Iowa's Workers and Small Businesses Thrive." It will examine some of the innovative ways that Iowa employers, schools, and policymakers are collaborating to address Iowa's workforce challenges and how Federal policies can support these efforts.

Between 2008 and 2016, the U.S. economy consistently underachieved. Economic growth and wages were stagnant, leaving many middle-class households struggling to make ends meet. Many folks stopped looking for work altogether.

Over the past couple of years, both the Federal Government and the State of Iowa have taken significant steps to help fuel economic growth and prosperity, from rolling back costly regulations to providing much-needed tax relief for families and job creators. Thanks to these pro-growth policies, the economic recovery has finally reached Main Street, bringing folks back into the workforce and raising wages.

Since President Trump was elected, the U.S. economy has added 6.2 million jobs, and we have now seen 12 consecutive months with year-over-year wage growth of over three percent. Prior to this stretch, we had not had three percent wage growth since April of 2009. Iowa's economy has added nearly 50,000 jobs since the 2016 election, including more than 15,300 jobs in manufacturing. Our unemployment rate is at a record low—2.4 percent, one of the lowest rates in the country.

As I meet with folks on my 99-county tour, one of the most common concerns I hear is that employers are struggling to attract and

retain qualified employees. Business is booming, and they want to hire people, but they are struggling to find folks with the skills they need.

There are roughly 80,000 job openings in Iowa right now and only 41,400 unemployed Iowans looking for work. Many of these openings are in high-demand industries, like health care and manufacturing. This presents a challenge to Iowa's economy, but it is also a tremendous opportunity to lift folks out of poverty and into good-paying jobs. To make this happen, we need to help folks overcome barriers to self-sufficiency, get them into the workforce, and help them obtain the skills they need to pursue careers in high-demand fields.

The U.S. spends nearly $1 trillion annually on over 80 programs to help those in need. While these programs are well-intended, they are often ineffective at lifting folks out of poverty. Rather than helping recipients get back on their feet and advance, they have a tendency to trap them in the cycle of poverty. Sometimes, they even have cliff effects, which penalize folks when they gain employment or are awarded a raise.

That is why I recently reintroduced the EMPOWERS Act. Legislation would allow states to apply for temporary waivers to reform two or more of these programs. To receive a waiver, states would submit a proposal for a cost-neutral, pilot project designed to reduce poverty, while promoting employment, savings, financial literacy, and family stability. This bill would empower states to develop and test innovative solutions to help folks overcome barriers to self-sufficiency and reach their full potential. In doing so, it would help get more folks into the workforce.

It is also critical that we help low-income workers obtain the skills they need to work in good-paying, high-demand jobs. In Iowa, there is a particularly strong need to fill middle-skill jobs, which require less than a four-year college degree, but more than a high school diploma.

In 2015, roughly 55 percent of all jobs in Iowa were middle-skill jobs, while just 32 percent of Iowa workers were middle skilled. However, to receive Federal Pell grants, students must participate in over 600 hours of instruction for at least 15 weeks. Many training programs for high-demand, middle-skill jobs do not meet these requirements, which makes it challenging for folks with low to moderate incomes to afford these kinds of training. That is why I have co-sponsored the Jumpstart Our Businesses by Supporting Students, or JOBS Act, a bipartisan bill that would allow folks to receive Pell grants for short-term job training programs.

One of the fastest growing middle-skill jobs in our State is wind turbine technicians. There are over 9,000 wind jobs in Iowa, and 1,800 of those are in operations and maintenance. Despite the growth of the industry, little analysis has been done to catalog the diverse skill set needed for the various wind tech positions. As a result, there are not minimum training standards, and when technicians move from one employer to the next, they often have to be retrained.

Last month, I introduced the Wind Workforce Modernization and Training Act, bipartisan legislation that would address this issue by authorizing a report to assess the needs of the wind technician

workforce and establish recommendations for a credentialing program. By identifying the specific skill sets required for wind technicians, the industry will be able to streamline training programs, reduce those training costs, and provide wind technicians with the competency to move between different projects without the need for new training. The bill would also provide resources for schools to purchase large pieces of wind equipment for use in the training of wind technician students. These are just a few examples.

To keep our economy moving, we must identify policies to connect the workforce of tomorrow with high-demand jobs and industries. No one understands this like Governor Kim Reynolds, who has been a pioneer in workforce development. As the 43rd Governor of our great State, she has worked tirelessly to modernize our workforce and ensure that prosperity reaches every Iowan.

Through her Future Ready Iowa initiative, the Governor has implemented an innovative, State-wide strategy to address Iowa's skills gap, setting a goal for 70 percent of Iowa workers to attain a level of education or training beyond high school by 2025. This is critical as the percentage of Iowa jobs that require some form of post-secondary education is expected to grow in the coming years, reaching 68 percent by 2025.

Future Ready Iowa is developing Iowa's talent pipeline and connecting folks to good-paying jobs. This cutting-edge initiative is the envy of other states. And, as a result of her leadership, Governor Reynolds was recently appointed to the American Workforce Policy Advisory Board to help create a national strategy to address the skilled workforce shortage.

Governor Reynolds, I am so glad you are able to join us today to discuss some of the great work that you are doing and how the Federal Government can help support your efforts. With that, Governor Reynolds, we would love to hear from you with your opening statement.

STATEMENT OF HON. KIM REYNOLDS, GOVERNOR, STATE OF IOWA, DES MOINES, IA

Governor REYNOLDS. Well, thank you, Senator Ernst. It is a pleasure to be with you today to discuss the important issue of workforce development and building the talent pipeline of the future.

When you visit all 99 counties in Iowa each year like Senator Ernst and I do, you hear a lot of concerns from Iowans. What struck me from my very first days as a lieutenant governor is how common and universal the concerns were about workforce development. Employers across all sectors were struggling to find workers with the right mix of skills for their open jobs. Iowa workers of all ages were looking for the right education and training to help them adapt to a changing world. It was this range of concerns that convinced me my number one priority as Governor needed to be doing everything possible to help Iowans of all ages prepare for the cutting-edge careers of the 21st century economy.

By closing the skills gap, we can help Iowans pursue a career that they love, that will provide for their future. This is not just an economic issue. It is also a vital quality-of-life issue.

Before I outline some of the initiatives underway in Iowa, I want to express my appreciation to Senator Ernst for the strong partnership we have with the Federal Government. Rather than pursuing a new Federal program for every problem, we need people in Congress who, like Senator Ernst, understand that more flexibility to the states to effectively and creatively implement solutions is a good thing.

Specifically, I know Senator Ernst has reintroduced, as you heard, the EMPOWERS Act, which will provide states with waivers to integrate and reform multiple Federal means-tested programs. This would be a significant step forward for states like Iowa, looking to be innovative in addressing issues of employment, financial literacy, family stability, and, of course, self-sufficiency.

In addition, I appreciate the Senator's focus on helping address the critical and immediate workforce need with the Wind Workforce Modernization and Training Act. We all know that Iowa is the tip of the spear in the wind revolution. That has created enormous demand for skilled workers to maintain the more than 4,100 wind turbines in Iowa today. This bill would greatly enhance the wind technician training programs at seven of our Iowa community colleges, as well as Iowa State and the University of Iowa.

So, at the State level, our workforce development work has ramped up considerably over the last couple of years. In 2017, I am proud to say that the Iowa legislature passed the Future Ready Iowa Act unanimously. Understanding that a high school diploma is simply not enough to thrive in the modern economy, the goal of Future Ready Iowa is for 70 percent of Iowans in the workforce to achieve education and training beyond high school by the year 2025. To accomplish this, the legislature approved more than $16 million this year to support three innovative new programs.

The $13 million that went to the Last-Dollar Scholar Program will help pay tuition for designated two-year degree programs. This will create opportunities for good-paying careers that meet employers' needs for more skilled workers while growing our economy. Both new high school graduates, as well as adults already in the workforce, or unemployed, can participate in this program.

The $1 million Future Ready Iowa grant program provides stipends to Iowans who left college after earning at least half the credits toward a four-year degree in a high-demand field, and who return to complete their degree. This will be an important way to address the shortages that exist in a number of occupations requiring a four-year degree.

And, lastly, the legislature appropriated $1.2 million to the Future Ready Iowa Employer Innovation Fund, and it is a matching grant opportunity for employers and other partners to collaborate and carry out innovative, creative initiatives to address local workforce issues.

In addition to a degree, there is probably no better way to prepare someone for a successful career than on-the-job training. Apprenticeships combine work-based, on-the-job learning with relevant, technical classroom education. In some fields, such as nursing, welding, building maintenance, computer support, culinary, and others, this kind of hands-on training is the best way to prepare for the job.

The State of Iowa provides grants to support the development and operation of apprenticeship programs, including high school apprenticeship programs, employer-driven programs, and those sponsored by labor and trade associations.

Probably our most unique apprenticeship program is run by the Iowa Department of Corrections, statewide. In all nine institutions, registered apprenticeships are available in 25 occupations, with 350 registered apprentices, and 200 who have earned their national certification. This is a remarkable way to both help Iowa's workforce needs, and to help ex-offenders find successful career pathways after prison.

Finally, I would like to discuss an issue that has been near and dear to my heart since being elected Lieutenant Governor in 2010, and that is STEM—Science, Technology, Engineering, and Mathematics. In today's fast-changing, information-based world, there are enormous opportunities in these fields. We need to inspire more young people to have a passion for STEM-related fields and to position themselves to thrive in a global economy. Iowa's nationally recognized STEM initiative has a goal of increasing student interest and achievement in STEM, and promoting STEM economic development, specifically designated for underrepresented and underserved students.

This is not a Government-run program but, instead, a public-private partnership with strong bipartisan support. One example of the work of the STEM initiative is the STEM BEST Program. BEST stands for Businesses Engaging Students and Teachers. It really fosters a learning environment where students are able to participate in real workplace projects designed by business professionals and teachers, and apply K–12 STEM skills, knowledge, and behaviors needed for STEM careers.

So, I am proud to say that, to date, there are more than 50 STEM BEST programs in Iowa, involving 54 school districts, 5,000 students, and more than 450 business and community partners. So, I am grateful for how Iowans have rolled up their sleeves and came together on the issue of STEM. From educators, to businesses, to legislators of both political parties, it really is a model for us to follow in solving workforce development needs of the future.

So, again, thank you for inviting me today. I want to thank Senator Ernst for bringing the attention of the U.S. Senate onto these very important issues for Iowans, and I would be happy to answer any questions that you may have.

[The prepared statement of Governor Reynolds follows:]

U.S. Senate Committee on Small Business and Entrepreneurship
Field Hearing
Friday, August 16, 2019
Des Moines, Iowa

Thank you, Senator Ernst. It's a pleasure to be with you today to discuss the important issue of workforce development and building the talent pipeline of the future.

When you visit all 99 counties in Iowa each year, like Sen. Ernst and I do, you hear a lot of concerns from Iowans. What struck me from my very first days as Lt. Governor is how common -- and universal -- the concerns were about workforce development.

Employers, across all sectors, were struggling to find workers with the right mix of skills for their open jobs. Iowa workers, of all ages, were looking for the right education and training to help them adapt to a changing world.

It was this range of concerns that convinced me my number one priority as Governor needed to be doing everything possible to help Iowans of all ages prepare for the cutting edge careers of the 21st century economy. By closing the skills gap, we can help Iowans pursue a career they love that will provide for their future. This isn't just an economic issue; it is also a vital quality of life issue.

Before I outline some of the initiatives underway in Iowa, I want to express my appreciation to Sen. Ernst for the strong partnership we have with the federal government. Rather than pursuing a new federal program for every problem, we need people in Congress who, like Sen. Ernst, understand that more flexibility to the states to effectively and creatively implement solutions is a good thing.

Specifically, I know Sen. Ernst has reintroduced the EMPOWERS Act, which would provide states with waivers to integrate and reform multiple federal means-tested programs. This would be a significant step forward for states, like Iowa, looking to be innovative in addressing issues of employment, financial literacy, family stability, and self-sufficiency.

In addition, I appreciate the Senator's focus on helping address a critical and immediate workforce need, with her Wind Workforce Modernization and Training Act. We all know that Iowa is the tip of the spear in the wind revolution. That has created an enormous demand for workers skilled to maintain the more than 4,100 wind turbines in Iowa today. This bill would greatly enhance the wind technician training programs at seven Iowa community colleges as well as Iowa State University and the University of Iowa.

Future Ready Iowa

At the state level, our workforce development work has ramped up considerably over the last couple of years. In 2018, I'm proud that the Iowa Legislature passed the Future Ready Iowa Act unanimously.

Understanding that a high school diploma is simply not enough to thrive in the modern economy, the goal of Future Ready Iowa is for 70 percent of our workforce to have education or training beyond high school by 2025.

To accomplish that, the Legislature approved more than $16 million this year to support three innovative new programs:

- The $13 million **Last-Dollar Scholarship program** will help pay tuition for designated two-year degree programs. This will create opportunities for good-paying careers that meet employers' needs for more skilled workers while growing our economy. Both new high school graduates and adults already in the workforce or unemployed can participate;

- The $1 million **Future Ready Iowa Grant program** provides stipends to Iowans who left college after earning at least half the credits toward a four-year degree in a high-demand field, and who return to complete their degree. This will be an important way to address the shortages that exist in a number of occupations requiring a four-year degree;

- The $1.2 million **Future Ready Iowa Employer Innovation Fund** is a matching grant opportunity for employers and other partners to collaborate and carry out innovative, creative initiatives to address local workforce issues.

Apprenticeships

In addition to a degree, there is probably no better way to prepare someone for a successful career than on-the-job training. Apprenticeships combine work-based, on-the-job learning with relevant technical classroom education. In some fields, such as nursing, welding, building maintenance, computer support, culinary, and others, this kind of hands-on training is the best way to prepare for a job.

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STEM Initiative

Finally, I'd like to discuss an issue that has been near and dear to my heart since being elected Lt. Governor in 2010: STEM. Science, Technology, Engineering, and Mathematics.

In today's fast-changing, information-based world, there are enormous opportunities in these fields. We need to inspire more young people to have a passion for STEM-related fields and to position themselves to thrive in a global economy.

Iowa's nationally-recognized STEM Initiative has a goal of increasing student interest and achievement in STEM and promoting STEM economic development. This isn't a government-run effort, but instead a private-public partnership with strong bipartisan support.

One example of the work of the STEM Initiative is the STEM BEST Program. BEST stands for Businesses Engaging Students and Teachers. It fosters a learning environment where students are able to participate in real workplace projects designed by business professionals and teachers and apply K-12 STEM skills, knowledge and behaviors needed for STEM careers. To date, there are more than 50 STEM BEST programs in Iowa, involving 54 school districts, 5,000 students, and more than 450 businesses and community partners.

I'm grateful for how Iowans rolled up their sleeves and came together on the issue of STEM. From educators to businesses to legislators of both political parties, it really is a model for us to follow in solving our workforce development needs of the future.

Again, thank you for inviting me today. Thank you, Senator Ernst, for bringing the attention of the U.S. Senate on these very important issues for Iowans. I'd be happy to answer any questions you may have.

Senator ERNST. Thank you very much, Governor Reynolds, and thank you for participating. This is a very important issue for Iowans, as both of us have heard out on our 99-county tours.

So, Governor, what can other states and the Federal Government learn from Future Ready Iowa?

Governor REYNOLDS. Well, I think it is a great example of how we have been able to come together and really break down barriers and align opportunities to meet the different needs in different areas in the State, and it really started by listening.

With Future Ready Iowa, it is based on a state-wide conversation. So, we brought in stakeholders, employers, educators, industry experts, non-profits, workers, everybody that has a role in really helping Iowans find opportunities to be successful. So, it was not just something that the Government cooked up. We spent a lot of time all year, listening and trying to address the barriers that we were hearing. It is a bold goal, so I think you always want to set your sights high and do everything that you can to achieve that. We are at about 58 percent right now, so I think we are starting from a pretty good position, and we have an opportunity to reach that by 2025.

And, as I said in my remarks, it really is a quality-of-life issue. I think sometimes it is easy when we look at workforce development issues to only look at maybe the economic side of the equation. But, this is really an opportunity to provide prosperity in every single corner of the State.

And, what I have enjoyed from my agencies, when you look at Department of Education Workforce Development, Department of Human Services, Department of Health, the Iowa Finance Authority, and Corrections, we are all sitting at the table making sure that we are not duplicating our efforts, that we have a simple way to enter into the programs. And, I think when you do that, and bring everybody to the table and make sure you are not duplicating services, it makes it easier to scale and get the results that we are looking for.

I will point out one more thing. So, it is working. We are doing the Last-Dollar Scholars right now. With very little turnaround time, we have had almost 12,000 eligible, recent high school graduates that will be participating in the Last-Dollar Scholars, and almost 26,000 eligible adults that are participating right now. We will get the final numbers later, and I think President Denson will give you some statistics on that, too. But, you know, we have to get the word out. But people are responding, and I am excited about making a difference for Iowans through this program.

Senator ERNST. Well, that is outstanding. And I do talk a lot about Future Ready Iowa, not just here in the State of Iowa, but when we are engaging other leaders from other states, as well. I do think that you have set a standard that other states should hope to emulate, so thank you very much for that.

During the recession and in its aftermath, many low-income Iowans were left behind. The labor force participation rate had plummeted, and while it has risen quite a bit this year and is still one of the highest in the country, it remains below pre-recession highs. What are some of the obstacles that are preventing able-bod-

ied Iowans from rejoining the workforce, and how can the EMPOWERS Act help folks overcome some of those obstacles?

Governor REYNOLDS. Well, again, I think it is connecting the State and the Federal opportunities and the programs that you have available to Iowans in need. So, we have tried to align and coordinate all of ours, and we want to make sure when we are trying to access the Federal programs that are a part of the solution, that that is not driving requirements based on individual agencies. So, coordinating and aligning more of those.

And I think, you know, it is really important that we meet Iowans where they are at. We cannot expect them to come to us. We need to get out in the communities, meet them where they are at, make sure that they are aware of the opportunities that exist. It is also making sure that we are providing the support system that they need. A lot of times Iowans are facing some significant challenges, whether it is a single mom trying to make ends meet or working two or three jobs. We want to make sure, as we are trying to help them get the skills and advance—you mentioned that in your comments—that we are not kind of cutting the legs out from underneath them by taking that support system away, implementing the cliff effect, that we are not having that happen.

So, flexibility that we can provide to give states the opportunity to coordinate with the programs at the Federal level and the State level, again, streamlining that. I think the more that we have that single point of entry, based on the needs in different states, that will allow us to scale and get the information to more Iowans, to be successful and participate in the programs, while supporting the support system that they need.

Senator ERNST. Yes. Thank you. The cliff effect is one thing that we really do want to overcome. I just remember back in my time in the State Senate—and you are very familiar with the area that we represented in Taylor County—a young, single mom that actually faced that cliff effect with a promotion. She was going to lose all of her assistance, and she struggled with taking that promotion, knowing that she would actually take home less money every month by being promoted at work. And it was a struggle. To her credit, she did take the promotion. But, we have to find ways to overcome that so that other young moms are not facing that, other young families that are struggling are not facing that cliff effect.

Governor REYNOLDS. Or, they ask to have their hours reduced because they are seeing a decrease in their pay and it cannot—and that is one of the—with the Employer Innovation Fund through the Future Ready Iowa, we have—some of the recommendations or the programs that have been submitted deal with daycare. So, I am excited to see how some of those play out and how we can maybe scale those, as well.

Senator ERNST. Excellent. Well, thank you.

One of the Federal programs designed to help vulnerable Americans is Pell grants, which provide need-based financial assistance for college students. Unfortunately, students are unable to use the Pell grants to participate in their short-term job training programs, even though these programs are usually designed to lead directly to good-paying and high-demand jobs. How would ending the bias

against short-term training impel or help Iowa accomplish the goals that you have laid out for Future Ready Iowa?

Governor REYNOLDS. Well, I think just like flexibility of the states is a good thing, I think flexibility to students is a good thing, as well. So, we spend a lot of time talking about how there are multiple pathways to great careers in the State of Iowa, and that does not always mean it is a four-year degree. Many times it is, but there are tremendous opportunities for Iowans through a certification program, an apprenticeship program, a two-year Associate's.

And, what I have seen is, it is about providing confidence and competing, and, so, the more that we can start these young people and help them find their passion, help them see what that pathway looks like and those short wins along the way. It does not mean that they have to stop there, but we want to make sure that they know what the options are, the many paths that they have to get there.

And really, what we are trying to develop—and by making that program more flexible, you are doing that—is to create lifelong learners. In this technical world in which we live, in this disruptive economy, you are going to have to—we are going to have to train and educate Iowans to be adaptable to what the future holds. And, so, I think any time that you can start and engage them and help them see that it is attainable by short wins along the way, that is a really, really good thing.

Senator ERNST. Excellent. And, as you discussed in your testimony, one of the things you have focused on is developing more work-based learning opportunities, and that is amazing. Iowa has really made some great strides here. And, so, research shows that folks who complete apprenticeships earn an additional $240,000 over the course of their careers, but overall, the United States remains behind other developed countries when it comes to apprenticeships. In your experience, what are some of the obstacles that prevent businesses from offering work-based learning?

Governor REYNOLDS. Well, I think sometimes it is a fear of the unknown, so they do not know where to start or how to start. So, we are working really hard to make it as easy as possible. We have a blueprint that we have put in place that really streamlines the process, and I think just helping be the conduit and connecting them with the schools, getting the right people around the table. A lot of times, it is a school district, it is an employer, and it is a community college. That is really all it takes to start to provide these incredible opportunities for young people.

One of the things that we are doing, I think, that will help address that is we will be holding 31 employer-driven Future Ready Iowa summits in communities all across the State, and that is an opportunity for the community to come together and for us to walk through, this is how easy is it. Here is a blueprint. Here is what you need to do to get started.

My experience has been, and I know you have heard this, too, as you have traveled across the State, our employers are looking for ways to engage. They want to be a part of the solution. They are anxious to find out what they need to do to help capture and retain Iowans and workforce, and so they are a willing and able partner.

We just need to make sure that we are getting them the information.

And the other real benefit of this, as we talk about growing and empowering rural Iowa, is the relationships that they have the opportunity to make when they come into the high schools, especially, and participate in the certification or registered apprenticeship programs. They are recognizing the opportunities that are right there in their communities, and they are staying. So, it is just such a win-win, I think, for our young people and our businesses to really engage in these opportunities. We have started—we are probably in nine schools right now, and we probably have 60 that are looking for opportunities to start registered apprenticeship programs in high schools across the State.

Senator ERNST. Well, that is fantastic, and I want to thank you for that initiative. So many different programs that we have discussed this morning, many of them really partnered quite well with the Federal Government and what we are trying to achieve in getting more people into our workforce.

And I do want to commend you, as well, for offering those types of apprenticeships through the Department of Corrections, as well, because we know that there are many people that will make mistakes through their lifetime, but that does not mean they should not have an opportunity to get back into life and contribute to their communities and to their families.

So, thank you so much for getting involved and making sure that our high school students are engaged and ready to go to work, and that we are getting more folks, those middle-skills workers, trained and into the occupations that they desire to go into, as well as those that do need those advanced type degrees. Iowa has really been at the forefront of this effort.

So, again, Governor, I want to thank you for participating today in our first panel, and for the quality leadership that you provide, not only to the great State of Iowa, but to the United States at large, as well. I think many states would just do exceptionally well if they followed Iowa's lead.

Governor REYNOLDS. Thank you.

Senator ERNST. So, thank you again, Governor, very much. I do want to also follow up. Just last Congress, I did also cosponsor some legislation that would establish a tax credit for those businesses that are taking those apprenticeships. So again, thank you for leading the way there, and we know that that will help stimulate some more of the work-based learning opportunities.

Governor REYNOLDS. I appreciate that very much.

Senator ERNST. So, thank you, Governor, very much. Again, thank you for participating today.

Governor REYNOLDS. Thank you for your partnership and all that you are doing.

Senator ERNST. Absolutely.

Governor REYNOLDS. I appreciate it very much. Thank you.

Senator ERNST. Absolutely. And today, or right now, we will go ahead and take a quick break, and we will move our second panel forward. Again, Governor, thank you for participating today. Thank you.

[Recess.]

We will go ahead and start our second panel at today's Small Business Committee field hearing, and we will start—I will first introduce Ms. Lana Pol. Lana Pol is an entrepreneur who owns four small businesses in and around Pella and Des Moines: Geetings, Inc.; G.I. Warehouse Corporation; Mowbility Sales and Service; and Creative Inspirations.

Ms. Pol has also served on numerous boards, including the Marion County Development Commission and the NFIB Advisory Group. She is also a member of the National Association of Women Business Owners. Thank you, Ms. Pol, for being here today.

Robert Denson is the President of Des Moines Area Community College, a position he has held since 2003. Mr. Denson grew up on a farm near Homestead, Iowa, and is the first Iowa-made ever to serve as President of DMACC.

In addition to his role at DMACC, Mr. Denson serves on several different boards, including the United Way of Central Iowa board, the national board of Gateway to College, the Governor's STEM Advisory Council and Executive Committee, and the National STEMconnector Innovation Task Force, among many others. Thank you, President Denson.

Reynolds Cramer is the President and CEO of Fareway Stores. He has been working for the company for 34 years and has served as the CEO since 2014. Mr. Cramer is also a board member of the Iowa Business Council, and active in many charitable organizations, including MDA, ChildServe, Easterseals, and Variety, the Children's Charity.

So, thank you very much to our second panel for being here today.

We will go ahead. Ms. Pol. We will start with you, Lana, if you would like to make opening comments.

STATEMENT OF MS. LANA K. POL, PRESIDENT AND OWNER, GEETINGS, INC., PELLA, IA

Ms. POL. Good morning, Senator. Thank you for allowing me the opportunity to testify today. My name is Lana Pol. I am the owner of multiple small businesses in Pella, Knoxville, and Des Moines, Iowa.

I serve as president/owner of Geetings, Incorporated, a local and regional trucking company.

G.I. Warehouse specializes in commercial warehousing, located in Knoxville and Pella.

Mowbility Sales and Service is an outdoor power equipment, trailer and small tractor dealer in Pella and Ankeny.

Creative Inspiration is an embroidery, promotional and customer fulfillment service.

Odyssey Spas sells hot tubs, chemicals, and product services for pools and spas.

All of our businesses are classified as either sub-S corporations or LLCs. The 2017 Tax Cuts and JOBS Act provided tax relief that allowed us to invest in our employees and our businesses. Two of the most significant, direct benefits from the new tax law for our businesses were the expansions of small business expensing, section 179, and the creation of the new business deductions, section 199A.

The new tax law doubled the small business expensing, section 179, thresholds of the tax code from $500,000 in 2017 to over $1 million in 2018. This expansion incentivized us to purchase six new semi-trucks, totaling $1 million, and allowed us to immediately expense the cost of the trucks in 2018 instead of depreciating that amount over several years.

The creation of the new small business deductions, section 199A, provides substantial tax relief for businesses like ours, allowing pass-throughs to deduct up to 20 percent from business income. My accountant informed me that the new small business deduction, section 199A, provided about $40,000 in tax relief for our business.

This tax relief from the new tax code provided crucial cash flow that allowed us to provide raises to our employees, the largest compensation increases we have been able to provide in recent years. These raises increased employees' take-home pay and helped us retain employees.

We also invested $2 million in a 40,000 square foot expansion of G.I. Warehouse Corporation, which was completed in December of 2018. We now have 460,000 square feet in warehouse space.

We would love to see the law made permanent. As we expand into third-generation ownership, it is crucial that we know what the future for taxes is so we can plan with peace of mind.

As you can tell, we have a very diversified group of businesses. Each of these businesses poses unique challenges. One of the hardest challenges for small businesses in Iowa today is attracting and retaining qualified, skilled workers. With today's strong economy, we are competing with large corporations for the same talent. Being a small company, it is harder for us to attract talent, even though our wages are comparable to larger companies, and our benefits exceed other businesses in our area. We strive to take care of our employees, but it is becoming increasingly difficult to retain workers, who often see the grass as being greener in a competitive economy.

In our industries, we need these types of skilled labor: diesel mechanics, small engine repair mechanics, spa techs, truck drivers, warehouse workers, etc. Most of our positions do not require a college education, but skills in certain areas. These jobs pay very well, and employees can jump into the labor market quickly with the right training, which we are also able to provide, or help with financing on that.

We also allow young people starting out to begin working right away without having to go deep into debt with a four-year education. We value education and understand the importance of a four-year degree, but also know that it is not a requirement for many of our positions. Trade schools are especially important to our businesses, as they can be a great source of recruitment for individuals who are specialized in a particular trade.

We are always looking for creative ways to obtain new employees with the right skill sets, and have also found it effective to train ourselves, or pay for training, when we find the right applicant. Even offering training, competitive wages, above-average benefits, and treating our employees well, we are struggling to attract and retain skilled laborers. The need for skilled employees in our State is quickly reaching critical levels.

Thank you for the opportunity to testify, and I look forward to answering any questions you may have.

[The prepared statement of Ms. Pol follows:]

Lana K. Pol
President/Owner
Geetings, Inc.

Good morning Senator Ernst. Thank you for allowing me the opportunity to testify today. My name is Lana Pol. I am the owner of multiple small businesses in Pella, Knoxville and Des Moines, Iowa. I serve as President/Owner of Geetings, Inc., a local and regional trucking company. G. I. Warehouse Corporation specializes in commercial warehousing and logistics. Mowbility Sales and Service is an outdoor power equipment, trailer and small tractor dealer. Creative Inspirations is an embroidery, promotional and customer fulfillment company. Odyssey Spas sells hot tubs, chemicals, and provides service for pools and spas.

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strive to take care of our employees, but it is becoming increasingly difficult to retain workers who often see the "grass as being greener" in such a competitive economy.

In our industries, we need these types of skilled labor: diesel mechanics, small engine repair mechanics, spa techs, truck drivers, warehouse workers, etc. Most of our positions do not require a college education but skills in certain areas. These jobs pay very well, and employees can jump into the labor market quickly with the right training, which we are also willing to provide. This also allows young people starting out to begin working right away without having to go deep into debt with a four-year education. We value education and understand the importance of a four-year degree but also know that it is not a requirement for many of our positions.

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Thank you for the opportunity to testify. I look forward to answering any questions you may have.

Senator ERNST. Thank you, Ms. Pol. We certainly appreciate you being here today. Next, we will go to President Rob Denson. Thank you.

STATEMENT OF MR. ROB DENSON, PRESIDENT, DES MOINES AREA COMMUNITY COLLEGE, ANKENY, IA

Mr. DENSON. Thank you. It is an honor to appear before you today on behalf of the many large businesses and the small businesses, and the communities and the families that we serve in our service area, and the over 60,000 credit and non-credit students who come to DMACC every year, seeking one of our 250 degrees, diplomas and certificates. We are proud to have the lowest tuition and fees in the State, because we understand fully that the cost of education is a real burden on many families.

I would like to discuss several issues today that our businesses, students, parents, and communities face. But, to sum up, it is workforce, workforce, workforce, as you know.

The first issue is increasing the academic and career advising in our K–12s, particularly in the middle and high schools. It is sorely needed. On behalf of Governor Reynolds and the Governor's STEM Council, I work with the Iowa School Counselor Association to help better engage school counselors in helping students get involved in more STEM careers and the occupations that need them.

With a target of 250 students per counselor nationally, the average is actually 482; and Iowa is actually more than that—499 students per counselor is the average. That is by the national data.

A recent survey that we did of administrators, school board members, and counselors showed that they all agreed what counselors should be doing—doing more career and college counseling. But, they all agreed that the work that counselors have to do with mental health, disciplinary actions, registration and others, also often takes them away from the time they need to give students advice as to real careers. They need more time, and we need more counselors and navigators to let families know what is out there.

Students and their parents are inundated with college and university solicitations, but generally do not have the information, the background, the support, or the time to sort out their career goals and the best college for them, and the best opportunity. So, a lot of time and money is wasted.

America's workforce shortage would decline if parents and students received more and better information, career awareness, and professional guidance, and the earlier, the better. Our school counselors are up to the challenge. We just need to give them the time to meet with our students so that our students have a better understanding of what the opportunities are that are actually out there.

Second is we must provide better skilled training to people who are incarcerated, while they are still incarcerated, to improve their chances for success upon release, and to fill needed jobs. Justice.gov reported that over 10,000 prisoners are released from America's State and Federal prisons every week and arrive on the doorsteps of our national communities. Nationally, this is more than 650,000 ex-offenders every year. Their studies show that na-

tionally, about two-thirds will be rearrested within three years of release.

Our work, DMACC's work, in the Newton Men's Prison and the Mitchellville Women's Prison resulted in the Iowa Department of Corrections telling us that, if they can come out of either of these facilities with DMACC certificates or degrees, recidivism is nine percent. If they come out without our certificates, it is 29 percent.

At the cost of keeping someone incarcerated annually, I mean, this is a great loss of money, in addition to all the human issues that occur. In fact, the Department of Corrections used to deliver men and women to the DMACC welding facilities at 10:00 at night and pick them up at 2:00 in the morning. When they took the national certifications for welding, they passed at a higher percentage than the general population. As I always say, yes, they did have time to study, but it helped them get into jobs that are in great demand.

And, as we have discussed on several occasions, there has been a waiver program for Pell for incarcerated individuals. Several community colleges nationally have received that, but we need to expand it in Iowa. Men in Fort Dodge have the opportunity to get Pell for education; women in Mitchellville do not. So, I would like—and we are filing next week, and I have left with your staff, our application so that DMACC can qualify in this next round of waivers.

Third, small business training works, and we need to do more of it. We know that most job growth is occurring through small businesses nationally, and this is true in Iowa. For the last year, DMACC has partnered with Goldman Sachs. We have run two cohorts of their 10,000 Small Businesses program, which nationally has trained over 8,600 small businesses.

At the State Fair last Friday, we graduated 76 small businesses from around the State who were in training in January and April, and they have already seen significant business growth, increased sales, and increased their employment just by receiving the kind of training, which we call a mini MBA, that helps them move their companies forward. So, we need to continue to do more of that, have the opportunity. Goldman has done a great job, but we need to find ways to expand that to even more businesses.

Short-term training, thank you, thank you, thank you for what you are doing to try to expand Pell to short-term training opportunities. We just urge you to really make sure that we are maintaining high quality. These short-term training programs must be run through businesses that give us the instructions that we need. These should be accredited programs, so they are highly regulated, because we see too many opportunities where individuals are actually taken advantage of and receive training that is really subpar, will not transfer, cross businesses, or even to other community colleges. So, those safeguards need to be there.

DMACC has over 50 short-term credit programs and over 40 short-term non-credit programs. In fact, we just had a graduation last night at our Southridge facility of 48 individuals who learned CNC, nursing, and welding. Most of them are now going to move into our credit programs, and we make sure that their non-credit experience transfers into credit.

This is very timely this morning. The Lumina Foundation released their latest study on short-term training, which I will leave with your staff. But, there is kind of a magic date. They studied 48 community colleges in eight states, and then tracked back to all of the trained workers and how they were doing once they got out. It really does show that any short-term training—and more than half of the population aged 25 to 64 has no post-secondary certificates at all, so half of our population is really, you know, not ready for work.

Any certification—and I am looking at short-term, less than 6 months—increases their ability to get a job by four to seven percent. If they are 6 months or more, their ability to get a job goes up 14 to 22 percent. So, the 6 months is really a key area, so that anything we do in short-term training using Federal dollars through Pell, should be linked to the ability to get more training because we know the more education you have, the better that you will do long term.

Work-based learning, the Governor adequately explained what is going on. The one thing the Department of Labor has done that we celebrate, they recognize our registered apprenticeships, but also non-registered apprenticeships. And, as the Governor said, all you need is a community college, a student, a school system, and an employer. It can be very informal, developed with no regulations, lots of speed and responsiveness, because we need to operate at the speed of business.

We do need the ability for more and more companies to hire young people while they are still in high school. The Governor mentioned our playbook. It is with Vermeer, Pella Schools, and DMACC. They actually start with high school juniors working at Vermeer a couple hours a day while they are going to school, and then they increase their time as they finish up. Go to work for Vermeer full-time after high school graduation, and in a year, have their two-year degree from DMACC. I mean, we are very skilled with Iowa businesses, working with them to make sure that we can move students through quickly.

My next issue is student debt. It is really a drag on the economy. There is a restaurant across from my office. I stopped in there for lunch. I asked the young lady who was waiting on me, I said, are you a DMACC student? She said no. I said, should you be? She said, no, I already have a four-year degree. So I said, well, how much student debt do you have? She is waiting tables. She said, well, I do have my loans paid down to $90,000. She works three jobs. I mean, that will never go away.

So, we need to make sure that young people have a better understanding as to what the opportunities are. That goes back to my first point where we need more counselors and advisors in the high schools, talking to these students about the future, because too often, they just default into a four-year degree, which I am very supportive of, but they need to be going into jobs that actually give them work-ready skills and that pay a sustainable wage.

The Governor mentioned Future Ready Iowa and the Last-Dollar Scholarship range. We will have over a thousand students this fall that are taking advantage of the new Last-Dollar Scholarship legislation. Two-thirds of them are adults coming back, so this has real-

ly been a success. But, one of the main things that has generated that is the Department of Labor for the State, Iowa Workforce Development, has identified the 50 high-wage occupations that they will help support. So, we are really focusing well on students getting into real jobs that pay well.

Lastly, thank you for what you are doing on wind technology. It is a great opportunity. There are nine community colleges in the State of Iowa that have a wind technology program. Extremely expensive equipment. We have over a half-million dollars invested in just two rooms, and that does not count the wind turbine on our campus. You know, we need more and bigger equipment. And, as the equipment is becoming more modern, we need the ability to buy more and more. So again, it is a growing industry nationally and globally, and so we are going to do our share. But, thank you for the support and buying that equipment. So, we have a long list of needs, but we appreciate everything you are doing.

Senator ERNST. Yes. Thank you very much, President Denson.

[The prepared statement of Mr. Denson follows:]

U.S. Senate Committee on Small Business and Entrepreneurship

August 16, 2019

Testimony of Robert J. Denson, President, Des Moines Area Community College (DMACC)

It is an honor to appear before you today on behalf of the many large and small businesses and communities in our service area, and the nearly 60,000 credit and non-credit students who attend DMACC annually, seeking one or more of the 250 degrees, diplomas and certificates we offer. We are proud to offer the lowest tuition and fees in Iowa to DMACC students.

I would like to address several issues that our businesses, students, parents, and communities face. To sum up: "workforce, workforce, workforce."

I. Increased academic and career advising in K-12, particularly in middle and high school, is sorely needed.

   a. On behalf of Governor Reynolds and the Governor's STEM Council, I have worked with the Iowa School Counselor Association to help better engage school counselors in helping students engage in STEM careers and the occupations that need them.

   b. With a target goal of 250 students per counselor, nationally the average is 482. Iowa is close to the national average at 499. https://ct.counseling.org/2017/10/u-s-student-school-counselor-ratio-shows-slight-improvement/

   c. A recent survey showed that administrators, school boards, and counselors agreed that counselors should be doing more career and college advising, but also agreed that their duties related to class registration, mental health, discipline, etc. do not give them the time to do it.

d. Students and their parents are inundated with college and university solicitations, but generally do not have the information, background, support, and time to sort out career goals and the best college for them. Much time and money is wasted.

e. America's workforce shortages would decline if students and parents received more and better information, career awareness, and professional guidance, the earlier the better.

II. We must provide more skill training to prisoners while they are incarcerated to improve their chances of success upon release, and fill needed jobs.

a. "Over 10,000 ex-prisoners are released from America's state and federal prisons every week and arrive on the doorsteps of our nation's communities. More than 650,000 ex-offenders are released from prison every year, and studies show that approximately two-thirds will likely be rearrested within three years of release." https://www.justice.gov/archive/fbci/progmenu_reentry.html

b. Our work in the Newton Men's Prison and Mitchellville Women's Prison resulted in the Iowa Department of Corrections telling us that those coming out with our credentials had a 9% recidivism rate. Those without the credential had a 29% recidivism. For several years, the DOC would deliver prisoners to us for welding classes at 10:00 p.m. and pick them up at 2:00 a.m. Funding is the challenge.

c. There is a current program in place to give waivers so some community colleges can access PELL for prisoners to pay for skill training. This needs to be granted to more

community colleges and made available to all offenders getting close to release.

III. Small business training works and needs to accelerate.

a. DMACC recently completed the first 2 cohorts of training for the Goldman Sachs Foundation called "10,000 Small Businesses", with the goal of increasing their revenue and grow their workforce. Seventy-six business owners graduated last Friday at the State Fair, with the Governor presiding.

b. The curriculum, delivered by Iowa community colleges and developed by Babson College, has trained over 8,600 businesses nationally and needs to continue.

IV. Supporting short-term training.

a. We support the use of PELL for short-term training, and thank Senator Ernst for being a co-sponsor of this legislation.

b. Community colleges are highly regulated and, as a result, quality and cost are assured, all protecting the student consumers and the businesses that hire them.

c. We urge you to put in place strict safeguards to make sure consumers receive the highest quality, and that the training is guided by the businesses that are looking for skilled talent. The training should be by regionally accredited academic entities and established with a credit conversion so students can use the training credits should they later want it as a part of, or desire to enroll in, a diploma or degree.

d. DMACC has more than 50 short term credit certificates that can stand alone or fit into a diploma.

V. Work-Based Learning.

a. Many students need employment as they pursue their academic goals.

b. Providing high school and college students the opportunity to work and receive income from businesses in the area of their career goals really works. Led in our area by companies like Accumold, Shazam, Vermeer, TMC Trucking, etc, both registered and non-registered apprenticeships have proven successful in Iowa.

c. We need to continue to streamline the processes leading to the development of these opportunities so that companies see the early hiring of young people as the smart way to start building their skilled-worker pipeline.

VI. Student debt is a drag on the economy and the students and families who are burdened by it.

a. There is a server at a restaurant near my office who has a 4-year degree and says she has her student loan debt: "paid down to $90,000." As you know, her story is not unusual in a $1.56 trillion dollar debt world, impacting 44.7 million students, 12% being delinquent. https://studentloanhero.com/student-loan-debt-statistics/

b. Free higher education may or may not be the answer, but more support for financial counseling, in conjunction with increased career and college advising and work-based learning, likely is.

c. Governor Reynolds' Future Ready Iowa Last Dollar Scholar Program is getting very good early results, focusing on great Iowa jobs in high demand occupations, helping 1000 DMACC students this fall. This program has great potential.

VII. Equipment expenses continue in great training areas like Wind Technology.

a. High demand and growing fields, like Wind Technology, can only grow if they have skilled workers.

b. Wind training, like many career and technical program areas, have very sophisticated and expensive equipment needs. We must train our students on the same equipment they will experience on the job.

c. Any support we can receive to help cover the cost and keep up with current technology would be appreciated.

We have a long list of needs to order to best address the excitement of a strong economy.

We appreciate your continuing support.

Senator ERNST. And next, we will hear from Mr. Cramer. Thank you very much for joining us this morning.

STATEMENT OF MR. REYNOLDS W. CRAMER, PRESIDENT AND CEO, FAREWAY STORES, INC., BOONE, IA

Mr. CRAMER. I appreciate it, Senator. It is a—thank you for allowing me to be here and represent Fareway.

We are not a small company. We are actually in five states. We have over 120 stores, almost 12,000 employees, and obviously mostly in Iowa. But, we know what it is like to hire and retain employees. We have a great culture. I, myself, was a store manager in Des Moines many years ago, much like many of our managers. We have over 60 percent of them that have started under the age of 18 and worked their way up with Fareway.

So, we understand the importance of retaining employees and what it takes, but it has definitely gotten tougher over the last few years. Listening to Governor Reynolds, I drank the Kool-Aid two years ago with Future Ready Iowa, and basically have said that, as a company, we are going to do all we can do to help this State retain people in the State. So, whether or not they graduate from high school or graduate from a two-year school or a four-year school, we want to keep them in this great State, working. And obviously, as you mentioned, there are many, many opportunities for that.

Along with that, we have been working on some neat projects ourselves, and one of them happens to be our school loan repayment plan that we put together, one of the first in the State to put together such a plan. It was something that even our own people inside our organization said would be very difficult to do and administer. I said I do not accept that. Then we spoke with some of the legislators in the State who said they thought it would be a great idea, but they did not know if it even made sense.

We went forward with it, and we are so proud that you are one of the ones—with Senate Bill 460, how important that is for getting the tax-free opportunity for our employees to use the full amount that we are putting toward that. So, we do appreciate that.

Along with that, we have gotten a chance to take a lot of time and look at where we need to start when it comes to retaining employees, and it really starts at the early education level. So, it is the grade school and it is the high school.

We have worked with Boone and their EDGE program. We were one of the first to come up with an apprenticeship. And, along with that, we have been talking to other schools. I was in Gilbert High School the other day talking with administrators about creating a work-based learning kitchen and what we can do.

The whole idea is to put our students, at a young age, in a position that they can learn actual jobs and opportunities, rather than just read a book, and actually have a work-based learning opportunity, to then make a decision—are they going to go on to a two-year school and get more training, or are they going to go right into the work field now that they have had a chance?

So, we are just really proud to be a part of this, and anxious for any questions that you have.

[The prepared statement of Mr. Cramer follows:]

- Introduction by Reynolds W. Cramer
- Background information on Fareway
    - History of Company
    - Information on Fareway's dedicated workforce and ongoing efforts to recruit/retain strong talent
        - One such way Fareway is strengthening its workforce is by helping employees with student debt
- Fareway currently offers tuition repayment assistance for qualifying employees
    - Program is referred to as Fareway Fast Forward
    - The program is intended to help alleviate financial stress associated with the repayment of student loans
    - Eligible full-time employees may receive up to $100 per month towards their student loans (up to $5,000)
    - Benefit will be administered by a third party (Gradifi) and payments will be made directly to student loan company and applied to the principal balance of the loan
    - Intended to reduce the financial stress of paying student loan debt and encourage employees to consider higher education who may not have previously due to its cost
    - This issue is important to Fareway, but not for any financial reason. This bill has no financial benefit to Fareway. We are advocating on this issue on behalf of our employees and other working Iowans.
    - Our program was recently featured on the CBS Morning Show, where one of our employees, Juan Navarro, discussed how the program will help him pay off his loans quicker, saving on interest payments, and how this is positively impacting his life.
- Therefore, Fareway supports S.460, the bipartisan Employer Participation in Repayment Act (EPRA) introduced by Senators Mark Warner, John Thune, and 17 other bipartisan original co-sponsors – most recently Senator Ernst.

Other initiatives that may be touched upon:

- Increased efforts to connect with grade school/high school classrooms to promote Fareway as a future employer (Apprenticeships, internships, etc.)
- Continually refining/enhancing medical/dental/vision coverage while offering competitive premium rates
- 401(k) match
- Dress code updates - Updated employee uniform that is more attractive/appealing to other generations
- Partner with Home Base Iowa and other military branches (Iowa National Guard) to reach military personnel
- Migration to utilizing an electronic applicant tracking system to allow individuals to apply online instead of solely using paper applications

Senator ERNST. Wonderful. Again, thanks so much to our panel witnesses this morning. We really appreciate your expertise in this area, and your actual experiences as we have gone through what has been a turbulent economy in the past.

So, Ms. Pol, I will start with you. Over 99 percent of businesses in Iowa are small businesses, and I have heard from a number of these job creators around Iowa that pro-growth policies, like tax reform, are allowing them to grow and then, of course, reinvest in their employees. You talked quite a bit about the benefits of tax reform in your testimony. Can you talk about the importance of making tax cuts for small businesses permanent, and what impact would this have on your ability to recruit and then retain those workers that you do have in your small businesses?

Ms. POL. Absolutely. I think making the tax cut permanent would be a huge boost for small businesses and the economy. Knowing that we would have that money in our pockets after 2025 is going to allow us to expand, to create jobs. If it does not become permanent, we have to start thinking about the money that we are spending now, you know. And, because it will not be in our pockets at that point in time—so if I am giving raises and increasing benefits, I have to know that I can still sustain that at that point in time.

So, I think that affects—starts affecting now, because what I am looking at, small businesses will be looking at, too—help retain employees, and also to recruit, you know, because I do not know that I can keep giving raises and upping, you know, the starting salaries if I do not know the tax cuts are going to be permanent.

Senator ERNST. Okay. Very good. Thank you for that input.

Ms. Pol and Mr. Cramer, at 2.4 percent, Iowa has the third lowest unemployment rate in the United States right now. And, as you discussed in your testimony, this is a really tight labor market, and it creates some challenges for businesses. Can you talk a little more about the steps you have taken to try to recruit and retain workers in this type of environment? And, how has the combination of this tight labor market and some of the pro-growth policies affected the wages that you are offering employees?

Ms. POL. Yes. For us, one of the things that we have been trying to do is really customize our jobs. So, like in the trucking industry, we have some employees that have childcare—they could be single parents that need to be home for different things for childcare. We have some truckers that like to be long haul, some that like to be short haul. So, we are really working on customizing that to fit their schedule. It becomes an issue because of our observance rules that we have to abide by, but we are working to do that more and more, and trying to be proactive in that as we recruit.

And wages, it has definitely affected that. You know, what we see, especially in the trucking industry, is a lot of the large companies are offering sign-on bonuses. You know, that is harder for the smaller companies like ourselves to be able to absorb those kinds of increases.

Senator ERNST. So again, going back to maintaining the tax advantages for small business beyond 2025 would be very helpful——

Ms. POL. Absolutely.

Senator ERNST [continuing]. With that, as well. Okay. Thank you, Ms. Pol.

Mr. Cramer.

Mr. CRAMER. Yes. I think we have just taken a stance now where we realize we need to give not only just benefits to employees, but relevant benefits; and what that means is different based upon the time of the employee's life and where they are at.

Many employees look at things when they are starting to get in the workforce as simply an hourly wage and how relevant that is to them. They need the money right away. They are not thinking so much about health care benefits and vacation time and things like that. So, we have been looking at things as a whole and trying to make sure that, instead of just having a benefit package, we have something that touches each and every employee based upon their situations.

So, once again, doing internships within our company, going to the schools, giving them opportunities to understand what we are about and telling our story, has been really on the forefront of where we are at.

When it comes to the overall wages, here is the thing that is tough in many businesses, especially the grocery business. We cannot go raise Miracle Whip a dollar a jar to help pay for a higher wage because we would not be competitive, and we would not sell any. So, that means that we have to absorb these higher wages, and make sure that we are out there creating an overall environment that people make a choice to want to work with us versus maybe someone else.

And, also, see that the opportunity is there. I think there are so many opportunities that people do not know, not just with Fareway, but just in Iowa in general. The amount of companies with the excellent opportunities to work that—we just need to tell that story more and more. And once again, Future Ready Iowa, the clearinghouse, and some of the things that are available now, are helping us do that.

Senator ERNST. Very good. I appreciate that. Thank you.

President Denson, the middle-skill jobs, we have spent a lot of time visiting about middle-skill jobs this morning. Those are the jobs which require less than a four-year degree, but more than a high school diploma. Those jobs are in particularly high demand throughout Iowa. Employers throughout the State, they are finding it challenging to fill these good-paying jobs in fields like manufacturing and construction, transportation, as Ms. Pol noted, and in health care, as well.

Iowa has an exceptional community college system, and schools like DMACC have a number of great programs that are designed specifically to fill these mid-skill jobs. What are some of the challenges that schools like DMACC face in recruiting and retaining students to participate in these programs? And, then, are there any particular obstacles that keep Iowans from considering a career in these mid-skill occupations?

Mr. DENSON. You know, as mentioned earlier, I think the fact that we are not giving our parents and students a fair shot, let them know what the jobs actually are. This goes back to my several comments about counselors and advising. And, again, when I

go into a school, I am just another salesman of an entity. I am there with 20 other schools that are talking to all these parents and students. So, we need to let them have better information about what the careers are.

Many of them know what a doctor or a nurse does, or a teacher, but there are so many other opportunities that they really never get exposed to. And, it is hard for them to even get into companies, because many of the schools do not have the funding to hire the buses and the drivers to do the kind of tours that I used to do when I was a kid, when I was in the K–12 system. So, they really do not get exposed to these opportunities.

Second, you know, we may call them middle-skill jobs, but there is nothing middle about their compensation. You know, we have two-year IT workers averaging $90,000 a year; tool and dye, $100,00 a year; truck drivers, $70,000 a year. So, we need to kind of get away from that term to say—I mean, these are high-pay professions, and with a great opportunity to move forward.

I think that what is going to help us the most, if we could have better exposure as to what these jobs are to parents and students, tied in with work-based learning, we will be able to, again, help companies start their pipeline of employees starting in that junior/senior year of high school and moving on.

So, I think we are pretty well poised to do it. I think the future—to have a Last-Dollar Scholarship is going to be a big help, because just getting the names out of the 50 careers that Iowa Workforce Development has identified—when I show that to parents, many of them thought those would have to be four-year education, skilled jobs. You do not need to do that. We are custom-designing now a two-year study to get into a job that pays what four-year degrees, and often more than most four-year degrees, actually pay.

Senator ERNST. Fantastic. And as I mentioned earlier, President Denson, Federal Pell grants cannot be used——

Mr. DENSON. Right.

Senator ERNST [continuing]. To pay for many of those short-term certificate programs, and, as Pell recipients, must participate in a program that is over 600 hours of instruction for at least that 15 weeks.

What are some of the short-term programs DMACC offers, and how does this arbitrary restriction limit your ability to recruit low- and moderate-income students for these types of programs?

Mr. DENSON. Well, as I mentioned earlier, it is about the ability to pay for the education. I mean, community colleges charge the lowest rates for training of anyone. We have the lowest tuition and fees in the State at DMACC. You know, we price our short-term training programs to what we hope people can afford. Actually, the State of Iowa has given the community colleges several funds of dollars that lets us help low-income individuals, but we have so many low-income individuals and just a short amount of money.

Welding, we do a tremendous amount of welding certification. That is less than the 600 hours just to get their—to give them the entry-level skills that many companies would have.

You asked earlier about retention. It is hard for us to graduate students from our programs. In our auto mechanics program, very high demand for auto technologists in many of the auto dealer-

ships. We have a 50 percent graduation rate because, at the end of the first year of two, they are being hired by these dealers who need workers right now. By the end of the first year, they have enough skills to actually be able to do some of the auto tech work.

So, the companies are coming to us earlier. They are on our advisory committee, so they are telling us what we need to train, but they are also waiting at the end of every class period saying, okay, you have enough training to get into my slot. They do not have time to wait for two years. So, that is something we just need to increase throughput. But, again, there is such a demand now, and it is hard for workers to find—employers to find employees. But, again, starting them earlier would be a big help.

Senator ERNST. Yes.

Mr. DENSON. And then CNC, welding, CNAs, certified nurse assistants. We have over a thousand students a year in that program, beginning in high school. I mean, that is a bright sign on the horizon because that leads to LPN, RN and BSN, so that gets them on that pathway to great health care professionals.

Senator ERNST. Absolutely. In a former life, I did work as a student advisor in a Federal program, helping long-term unemployed individuals through training programs at a technical college, and it was amazing to see folks that had been low income, that had maybe lost a job, they needed a new skill set, to come into the certificate programs and be hired immediately upon graduating from that certificate program. They are in high demand, yet without certain types of programs, or like the Pell grant, these folks would not have been able to receive a certificate and get back to work so quickly.

So, we look forward to working more on this issue, and hopefully we can do that.

Mr. DENSON. One thing that is important—every one of our non-credit programs can be converted into credit. So, if a student comes to us and spends 450 hours in a welding training program, then they decide, well, in order to increase my wage for that employer, I am going to have to start the degree, everything they have done in their non-credit program is of a quality that it can convert to credit, so they do not lose any time.

So, I think as we roll this out, I would urge that Pell fund programs that can articulate into a credit program because, again, the goal is to get these individuals trained to get into the job. But, in order for them to be really successful and get better wages, they need to continue their education through a one- or two-year program eventually.

Senator ERNST. Right. Quality. Quality. Quality.

Mr. DENSON. Absolutely. And, it is hard to ask the Federal Government for more regulations, but this is needed. History has shown that we need to—and for us, too. We need to be watched to make sure that we actually do give the quality that these workers deserve.

Senator ERNST. And, President Denson, while I have you on the hot seat here, there are over 9,000 wind jobs in Iowa, and 1,800 of those are in operations and maintenance. I recently introduced the Wind Workforce Modernization and Training Act, and that, which, among other things, would provide funding for schools to

purchase large pieces of wind equipment for training wind technician students. DMACC is one of nine schools in Iowa that offers a wind training program.

You had talked a little bit about how this might help DMACC prepare folks to operate and maintain modern wind farms. Do you think this might help encourage people to get into those types of career fields, as well?

Mr. DENSON. Absolutely. We are working harder to get more and more K–12 students onto our campuses, walking through our labs. And, when they walk into a wind technology lab and just even see the trainer we have, which is $200,000. I mean, it is very, very high tech, you know, computer screens everywhere. I mean, that gets them excited. They need to learn on modern equipment. And, if they do not walk into the room and say wow, we have lost them. I mean, they need to be able to see themselves in that kind of training, meet some of our students, who are just rock stars.

But, the good thing about wind is, as they drive up and down Iowa's highways, they see wind turbines, and so they are somewhat acquainted with the industry itself. The Governor has done a great job of talking about how successful it has been. You have MidAmerican and others that are just building these farms like crazy. In the DMACC territory, we have a blade manufacturer and a tower manufacturer, so it is really building that critical mass.

We need equipment, and then we need the facilities to house them because you—you buy a new nacelle with $350,000, it needs to be in a fairly good facility. And, if you visit Iowa Lakes at Emmetsburg, they have a beautiful facility there—they were the first one in the State—and, really, the curriculum that we have is modeled off what they developed several years ago. So, the 15 community colleges, we work together to make sure that a quality education is across the board, statewide.

Senator ERNST. It is imperative. Iowa, if we are not the leader in wind energy, we are very close to one of the top states. Right now, estimated in percentages of what Iowans consume in electricity, 40 percent of that is generated by wind energy. And, after MidAmerican completes their wind field in western Iowa, the new wind field, it will be estimated 80 percent of the electricity consumed by Iowans will be from wind energy, so really extraordinary efforts in renewable energies right here in the State of Iowa.

Mr. DENSON. And just to tag onto that second—we need to be looking at global workforce trends. I mean, we are so short of skilled workers in the United States. Iowa is right in there. We should be looking at other countries to help do workforce supply to Iowa. Kosovo is the sister state to Iowa, probably the most pro-American country in the world, and you have been there.

We just received a grant through the Millennium Challenge Corporation out of Washington, D.C., a million- dollar grant. There are now 28 women that moved into DMACC Ankeny campus a week ago this past Monday, funded by the Millennium Challenge. Room, board, tuition, fully paid scholarships, and they are here to study wind, solar, some coal technology, welding, and energy efficiency.

When they graduate, we need to make it easier for them to be able to come to Iowa and work. Right now, skilled Kosovars are going to Germany. There is no reason they do not come to Iowa.

So, we need to do everything we can to make sure that our immigration policies, and all of the department—vetting that needs to happen, let that happen in Kosovo. Let us train them in Kosovo. Let them have work in Iowa.

Senator ERNST. Absolutely.

Mr. DENSON. Because Reynolds and others need them.

Senator ERNST. Yes. If we can help our Kosovars, we certainly want to do that, so thank you for being a leader in that area.

Ms. Pol, let us talk a little bit about the JOBS Act. So, under the JOBS Act, the bill I have cosponsored to allow for Pell to be used for those short-term training programs that we just talked about, one of the programs at DMACC, whose students would be become eligible for Pell, is a 240-hour, commercial vehicle operator training certificate program. Can you talk a little bit about the workforce shortage, specifically in trucking, and how this would help connect more folks to those good-paying jobs?

Ms. POL. Sure. If you have noticed going down the road, you have probably seen every truck says, you know, looking for drivers, you know. Every advertisement—I would be very surprised if you could find a trucking company that did have enough drivers. It has been an issue; it is a growing issue.

And, when I look at this Pell grant going to something with this kind of education that low—people that are now in low-income jobs, young adults graduating from high school, that could go into this without—as President Denson had said before, without having to spend a huge amount on a four-year college, they can get in very high-paying jobs. Like he said, we have got drivers $70,000, $80,000, plus full benefits. And, some of our drivers are home every night, so it is not like they are traveling around the United States. So, there are very good jobs out there, so I think that would be a great asset.

Senator ERNST. I think so, too. I think so, too.

And Mr. Cramer, since the Great Recession, student loan debt in our country has doubled to now more than $1.5 trillion, and while tuition costs and fees at colleges have ballooned, increasing at three times the rate of inflation since 2007.

As you discussed in your testimony, Fareway recently launched an initiative to help your employees pay off their student debt every month. Can you talk about the impact that this has had on Fareway's ability to recruit and then retain those workers?

Mr. CRAMER. Yes. Fareway's Fast Forward program is fairly simple. Our employees, each month, as they work and are full-time with us, can receive $100 from Fareway to go to their principal. So, they still have to make their own payments, but at the end of their term, it is going to be shortened up by quite a bit.

One example is Juan, who is a Luther grad, alumni from where I went to school. Juan was in computer science, IT and things, and also working at Fareway in the Decorah store. He saw the opportunity to work with Fareway, and along with that, jumped right onboard with this Fairway Fast Forward program. In fact, CBS ran a story about this nationally, talking about this, and for once, it was real news, not fake news.

[Laughter.]

But, it immediately got a few hundred employees excited about this program. And, what we see is—especially those coming out of college, be it they are after two years, should I go onto four, or getting done with four—they now see an opportunity at Fareway, once again, to have another relevant benefit that—they have a great paying job, they have a great job they enjoy. Why not continue with it and stay in Iowa, stay here in the Midwest, and knock down their school debt at the same time.

Senator ERNST. I love that, and I understand why this would be a very powerful tool for attracting those young workers that you are looking for.

But, unlike other benefits offered by employers, such as health coverage, businesses cannot offer student loan repayment tax-free. So, I am a proud cosponsor of the Employer Participation in Repayment Act, a bill that would allow businesses to offer their employees thousands of dollars annually, tax-free, to pay down their student loan debt. What impact would that have on companies like Fareway, and how would it help more companies offer this benefit to their workers?

Mr. CRAMER. The impact on Fareway would mean that we would continue this program, because honestly—one of the first things that happened when our first employees received this benefit was we got a phone call or an email saying, hey, why were there taxes taken out of this? Why did I not get the full benefit? We had to try and explain that. And, so, the legislation that you put forth is excellent not only for us, but I think for other companies that have not taken this risk yet.

This is not a financial benefit to Fareway. This is Fareway saying, we are spending money in a way to, you know, retain employees, and this is our choice. But I feel like more employers will get onboard having this bill being passed.

Senator ERNST. And I think so, as well. We have many employers that would like to engage in that way, but certainly if it is tax-free, there is just much more benefit for the individual, and for that employer, as well.

We often hear that the impacts of student loan debt are astronomical, and just simple things like young men and women that want to purchase their first home, all of those dreams and goals are further delayed the more they have that student loan debt. So, if there is a way that we can enable more employers to participate in student loan repayment programs, we certainly—or I certainly would like to see that, as well. So, thank you for being a leader in that, Mr. Cramer.

And then Ms. Pol, I have heard from so many Iowans, as I am out on the 99-county tour, that are struggling to balance the realities of caring for a new child, while also having to put food on the table and to raise a family. I do think that it is long overdue that we give hardworking parents an option for paid family leave, which is why Senator Mike Lee and I have recently put forward a budget-neutral, paid-leave proposal that gives parents the flexibility to spend time with their newborn or newly adopted child in those first few previous weeks of joining the family.

Our approach, which is completely voluntary, it is a voluntary program, will give parents the option to benefit from their own So-

cial Security after childbirth or adoption at a time in their lives when their dollars can be most beneficial. Some of my colleagues on the other side of the aisle have proposed paid-leave plans that raise payroll taxes on businesses and workers, or mandate that businesses offer paid leave. How would a paid-leave mandate, based on a new payroll tax, impact your businesses?

Ms. POL. I think any kind of mandate is not going to be helpful to any small business. One of the things I was thinking about as Mr. Cramer was talking about the—we sometimes set our benefits to how—our employees and what ages they are at, so we might not have any employees that would ever benefit from this. And so, for us, I would rather be putting our money into something that would be more beneficial to them and not mandated by that.

Senator ERNST. Very good. And how would the plan Senator Lee and I have proposed, which does not impose any new burdens on job creators, help small businesses like yours attract employees?

Ms. POL. I heard you mention this earlier in the roundtable in Pella, and I fell in love with the plan and I thought more about it. I think it is a great idea because it allows small businesses to still have that option of having employees off for the time that they would like to be, without having the burden of the expense of it.

One of the things that we do is we allow employees to accrue their vacation pay or sometimes holiday pay to help that out, but this would just be another step to get them a step farther into that direction. So, I think it is a great, great proposal.

Senator ERNST. Wonderful. Thank you. I know in a position, again, prior to coming into this Federal position, I had a young woman that worked in my office. She was desperately trying to save up time off so that she could take time off, a significant amount of time off, when she had her baby, but to the point where she was coming to work even sick because she wanted to save that sick time off so that she would have paid time off after the baby was there. So, we believe that this is a great starting point in this discussion for paid family leave. So, thank you for your input on that.

And then, Mr. Cramer, can you talk a little bit about the apprenticeship program that you recently established at Boone High School, home to our Fareway stores, and how has this initiative been going so far? And, how do you think the model will help you when you are recruiting those young workers?

Mr. CRAMER. Well, Fareway, being approximately the sixth largest employer in the State of Iowa, we reach virtually everywhere in almost every county and school system. And, so, to have Boone High School come up with the EDGE program and have Fareway partner with them has been amazing. To be one of the first in the State to start the apprenticeship program with their meat cutting apprenticeship, and having a student at Boone working in our stores, earning credit that is, once again, going back to the classroom-based learning opportunities, it has been great.

I think the goal is that we want to take this initiative, and we want to expand this throughout all the schools in the State and be able to partner in every town that we are in. In doing so, that is a great recruitment tool because, once again, it goes back to having these students get a sense to what opportunities are out there.

It is going to cost some money on our end to do this, and this has been a little bit of a shock to some to say that we are not asking the State or someone to give us money to help us. We want to spend the money to do this.

Our goal at the end of the day, once again, is to keep students in Iowa after school, working. They might go through this program, and they might work for Fareway for a short while, and maybe then will go on because maybe they want to be a plumber or electrician or something else. And, that is okay because we believe that our dollars invested in this will be well worth it because they will come back to us as a customer, knowing who we are. So, without a doubt, it has been a great initiative.

Senator ERNST. Absolutely. Well, that concludes my questions for this morning.

I do want to thank our second panel, as well. Ms. Pol, thank you so very much for investing in Iowa and our employees here. President Denson, thank you so much for the great, quality learning and education opportunities that you are giving not only to Iowans, but those that travel into our communities, as well. And Mr. Cramer, thank you for being on the cutting edge of some of these programs and offering opportunities for your young employees, as well.

So, great discussion this morning. I am very thankful to be able to hold this field hearing right here in Des Moines, Iowa, and talk about the challenges that we have in our workforce, and preparing workers to advance in the fields that they desire and receive a good income, as well.

The record will remain open for two weeks, until Friday, August 30th, at 5:00 p.m. Any statements for the record or additional comments should be submitted to the Committee's clerk by, again, that closing time, which is Friday, August 30th at 5:00 p.m.

Again, I want to say thank you very much to our witnesses for being here today, for participating, for being great leaders in the great State of Iowa. We would like to thank Committee staff for assisting with this opportunity. Thank you very much. And with that, we will go ahead and close today's Small Business field hearing.

[Whereupon, at 11:48 a.m., the hearing was adjourned.]

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