AT ISSUE

FEDERAL EDITION

2019 ● Volume 4 ● Issue 3

Table of Contents

In this third edition of our *At Issue*: Federal Edition, we address an update on the nation's workforce and the growing trend of bank closures.

The "Pledge to Americas' Workers" by President Trump's administration focuses on programs that "educate, train and reskill American workers from high-school age to near-retirement." This initiative is viewed as a success with more than 350 companies educating and training over 14 million people around the United States. The first article in this *At Issue* provides an overview of how Georgia and our neighboring states are utilizing this apprenticeship-style employment to fill labor shortages in rural areas and high-skill trade professions. With the latest announcement by our Governor that Georgia has been named the Top State for Business for the seventh straight year, it is critical now more than ever that we have the workforce in place to keep up with our business demands.

The second article focuses on the national trend of bank closures across the country. This is an unfortunate outcome of advances in technology which allows people to do their banking online using their laptops or mobile devices, thereby diminishing the profitability, and in some cases the defensibility, of maintaining physical brick and mortar institutions or offering certain in-person financial services. This article addresses whether anything can or should be done to prevent a complete shutdown of these brick and mortar institutions in the future.

As always, I hope you find the information in this edition of *At Issue* useful and informative. Don't be a stranger, don't hesitate to reach out with ideas for future articles, and please let me or the folks in my office know how we can be of any assistance.

Until next time…

Butch Miller
Georgia Senate President Pro Tempore
butch.miller@senate.ga.gov

Federal Regulations and Policy

Address Workforce Demands with Apprenticeships

Laurin Vonada, Senior Policy Analyst
Senate Research Office
laurin.vonada@senate.ga.gov

It has been a little over one year since Ivanka Trump, Advisor to the President, launched the "Pledge to Americas' Workers" Initiative which asked employers of all sizes to commit to expanding programs that "educate, train and reskill American workers from high-school age to near-retirement." Since the launch of the program, over 350 companies have pledged to educate and train over 14 million people over the next five years.[1] Apprenticeship programs are not a novel idea and date back as early as 1250 A.D., but there is a renewed need for trained personnel to fill labor shortages in rural areas and high-skill trade professions across the nation. According to the National Bureau of Labor Statistics, industries including education and health services, mining and logging, and manufacturing, are seeing a higher number of job openings than unemployed workers.[2] Long ago, apprentices were typically young men, trained by an older craftsman in a specific skill or craft. Today apprenticeships are a way for people of all ages to get paid while receiving on-the-job training and gaining industry-specific credentials. The benefits of apprenticeships span to both the apprentice and employer and are more than just a way to provide inexpensive labor and train master craftsman. Apprenticeships have become an alternative pathway for young adults who do not want to pursue a traditional postsecondary education, or a way to retrain older employees in a new skill or technology. Companies benefit from training individuals to fit their industry needs and they provide a skilled workforce across the country. According to the United States Department of Labor (DOL) every dollar employers spend on apprenticeships, employers get back on average $1.47 in increased productivity, reduced waste, and greater front-line innovation.[3]

(continued on page 2)

(Address Workforce Demands with Apprenticeships – continued from page 1)

The DOL recently issued a Notice of Proposed Rulemaking that would establish a process to advance the development of high-quality, industry-recognized apprenticeship programs (IRAPs). IRAPs would have a distinct set of requirements and quality assurance processes that would bode well for sectors that have traditionally required higher education, like IT and nursing, to implement apprenticeships. IRAPs would be formally recognized by the DOL by accreditation after demonstrating the program met determined "hallmarks" or high-quality standards set by the DOL. There are concerns about the lack of uniformity regarding the new proposed IRAPs standards and the established standards within the Federal Registered Apprenticeship program. In 1937, the National Apprenticeship Act was enacted to establish criteria for programs and to protect apprentices. Businesses across the nation have applied for and have been approved by the DOL to offer Registered Apprenticeship programs. Registered Apprenticeship programs have seen significant success in providing education and training to millions of persons over the past eighty years. Prior to enactment of the new system, the Federal government must consider the impact a separate program with its own standards could have on the quality of the existing program. In addition to the Notice of Proposed Rulemaking, the DOL announced additional funding to support educational institutions to expand apprenticeship opportunities and to improve educational facilities.

Over the past several years, states have expanded on their role in providing and assisting with apprenticeship programs. Since 2014, the number of active apprentices has grown by 30 percent nationally, and the number of apprenticeship programs has increased by nearly 17 percent.[4] During the 2019 legislative session alone, fourteen states enacted legislation relating to funding, creation, and oversight of statewide apprenticeship programs.[5] The enacted legislation increased tax incentives, provided for high school apprenticeship programs, and enhanced career education. South Carolina led the nation in 2007, with the growth of apprenticeship programs and has become the national model for apprenticeship expansion. During that time, South Carolina created the Apprenticeship Carolina program which has completed more than 32,000 registered apprenticeships. The State offers a tax credit to employers, up to $1,000 per year per apprentice up to four years, to help incentivize employers to train apprentices.

In 2016, Alabama passed similar legislation that provided employers with a $1,000 tax credit per apprentice, for up to five apprentices, so long as they are employed for seven months.[6] The next year, seemingly because of the tax credit, 76 apprenticeships were created by 25 companies in 13 counties and in 2018, 131 apprenticeships were created by 46 companies in 19 counties. In Alabama's last legislative session, enacted legislation increased the tax credit to $1,250 and implemented a statewide apprenticeship program to address proposed changes due to the IRAPs and to assist with the expansion of the current registered apprenticeship programs.[7] The legislation created the Alabama Office of Apprenticeship as part of the Workforce Development Division. The Office is tasked with ensuring that apprenticeship programs within the State conform to the federal regulations, safeguarding the welfare of apprentices, and resolving any relating disputes that may arise. Among other requirements, the Office, in conjunction with the Alabama Apprenticeship Council, must develop completion credentials for programs registered with the Office, may certify IRAPs, and may approve programs that are mandated by state or federal law.

Georgia has seen significant growth across all industries, including the movie and manufacturing industries. Georgia has been named the Top State for Business for the past six years by Area Development magazine[8] and for the last seven years, Site Selection Magazine has ranked Georgia number one in the Top State Business Climate Rankings.[9] This growth lends itself to supporting apprentices, and, according to the Southern Legislative Conference, from 2014 to 2017, the number of active apprentices in Georgia increased by close to 50 percent.[10] However, during the same time, the number of active apprenticeship programs decreased by almost 67 percent.[11] The question as to why there has been such a drastic decrease in programs is one that the public and private sectors need to continue to contemplate.

Source: Georgia Department of Economic Development

Although there has been a decrease in overall programs in the state, Georgia has continually shown strong support to address workforce needs by enacting legislation that directly relates to improving the workforce by providing funds for grant programs, supporting early exposure to alternative pathways, and encouraging public and private partnerships. During the 2018 legislative session, Senator Lindsey Tippins (R-37), sponsored Senate Bill 3, the CONNECT Act: Creating Opportunities Needed Now to Expand Credentialed Training.[12] The CONNECT Act focuses on ensuring that the education for career, technical, and agricultural pathways are in alignment with industry requirements. The CONNECT Act requires the Georgia Department of Education and the Technical System of Georgia (TCSG) to collaborate with employers and industries to establish a list of industry credentials required by Georgia employers. Also, the CONNECT Act established an annual competitive grant program for the renovation, modernization, replacement, or purchase of equipment for the enhancement of programs or facilities that have been linked to a specific need, skilled trade industry, or an emerging field or technology.

The Georgia Department of Education has administered the Youth Apprenticeship Program, which combines both school and work based learning, since 1993. The Program requires youth apprentices to select one of the seventeen available career pathways and develop an individual training plan. The plan implements tasks, on the job training, and related pathway coursework. The Youth Apprenticeship Program provides the same benefits as traditional apprenticeships to both the youth apprentice and the employer.

The TCSG has become the first and only system in the nation to have all twenty-two colleges certified as Registered Apprenticeship sponsors. Apprenticeship programs are offered in the following areas; Industrial Systems Technology, Machine Tool Technology, and Electrical System Technology. The Northwest Georgia College and Career Academy has created the Advanced Manufacturing and Business Academy which has helped prepare students for local jobs and by retaining the workforce in the area. This Academy exposes students to all aspects of the manufacturing process, including logistics, and corporate administration, around Northwest Georgia. The Academy offers a pre-apprenticeship program that allows a rising high school junior to enter the program and work three to four days a week in the industry and attend school for one to two days a week. As of November 2018, the program has graduated twenty apprentices to full apprenticeships. Mohawk Industries, a flooring manufacturer based in Calhoun, Georgia, has been the Academy's biggest and most successful partner. Mohawk Industries not only offers on the job training, but also pays an hourly wage and pays for college credits for apprentices.

As the country arrives at a crossroads of an aging workforce and an increased demand for skilled workers, much can be done at a federal and state level to address these concerns. Some areas of growth could include new tax incentives for employers, expanded apprenticeship programs with guaranteed credentials and job placements, and increased grants for schools to improve their educational facilities relating to career, technical, and agricultural education. However, with increased opportunities of growth, it is important for federal and state governments to maintain consistency and uniformity with approval of apprenticeship program standards to reduce the risk of lowering the quality of apprenticeship programs. – *LV*

Emerging Federal Policy Initiative

Banking in the Desert: The Growing Trend of Bank Closures

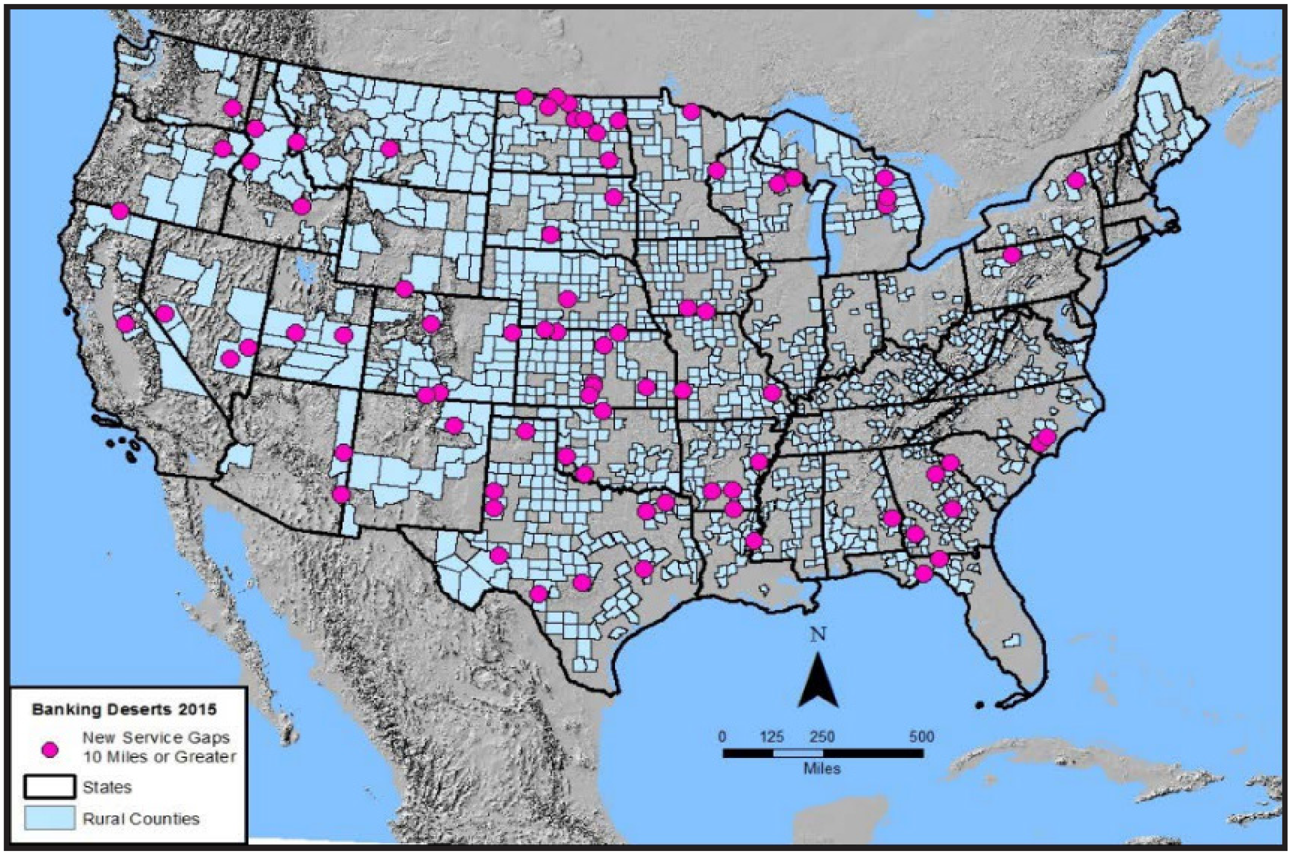
Ryan Bowersox, Senior Policy Analyst
Senate Research Office
ryan.bowersox@senate.ga.gov

Main Street America is filled with many familiar staples to accommodate the necessities of everyday life. The quintessential living community in this country features countless brick and mortar institutions considered vital to the public's functioning. These necessary institutions may include grocery stores, fire stations, banks, post offices, and hardware stores. But a growing trend across the country threatens one of these institutions. Over the previous decade, banks across the country have been closing branches at varying levels. While these closings have occurred in all areas of the country, they disproportionately impact areas with limited banks and other financial services. These bank closings threaten to increase the existence of populated areas that lack local access to banking service locations. Areas lacking reasonable access to bank services have been coined as "bank deserts." Similar to the more commonly known food deserts, where a lack of a grocery store forces residents to unhealthy food options, residents in a bank desert lack substantive financial services and are often forced to rely on predatory or inadequate services. As bank closures continue across the country, many citizens are faced with the reality of life without an accessible physical bank, and even a lack of basic financial services.

After decades of bank branches steadily increasing, the number of operating bank branches began to decline in 2009, and have continued to decline in following years. According to the National Community Reinvestment Coalition between 2009 and 2017, 9,666 of 95,018 bank branches were lost across the United States. Reports indicate that this steady closure of bank branches represents the longest stretch of closures since the Great Depression.[1] While this trend began in the Great Recession, its origin and continuation are likely attributable to a number of factors. The effects of the Great Recession, including increased merger and acquisition activity, changes in bank strategy, and increased reliance on mobile banking technology have all been associated with the closing of physical branch locations.[2] Particularly in recent years, digital banking, banking done on a computer or smartphone away from a branch location, has been considered the largest contributor to branch closings, as many consumers no longer feel the need to physically visit a bank.[3] In addition to digital banking, another innovation, nationwide companies offering competing loans, has contributed to a decreased demand for bank services. There are indications that, based on pure financial considerations, even more bank branches should be closing. Some estimate that between 25-30 percent of bank branch locations are unprofitable but remain open due to regulations, sunk investments, and competing considerations. Many branch locations remain open due to long-term leasing agreements, previous large investments, and high costs associated with closing. In addition to these costs, banks often must compare the financial benefits of closing a branch location with the desire to maintain trust and goodwill in the community.

While it is undisputable that bank branches are steadily closing across the country, some maintain that these closures are not problematic for consumers.[4] It can be argued that this trend of branch closures merely represents changes in demographics and consumer preferences. Banks are closing branches in rural areas in response to demographic changes as consumers move from rural areas to metropolitan areas and their suburbs where more bank options already exist. Furthermore, technological advancements have changed the way consumers now choose to interact with their banks. Banking, similar to many other traditionally brick and mortar industries, has needed to adjust to technological advancements which change consumer preferences.

(continued on page 4)



Source: Bank Deserts Developed across the country from 2008-2016 provided by the National Community Reinvestment Coalition

Increasingly, more consumers are choosing to perform traditional banking activities through computers and smart phones. In 2019, seven out of ten Americans reported using a mobile device to manage their bank account at least once a month. Reliance on mobile technology to perform banking services is even stronger among millennials and younger generations. Continued bank closures, particularly in metropolitan areas, in part represent banks adjusting services in response to new consumer preferences. These causes of many bank closures would not harm consumers as they retain access to essential bank services.

There is undoubtedly some truth to these explanations for bank closures, yet they do not tell the full story. While banks have been closing branches in all areas across the country, not all bank closures are the same. Communities with fewer financial services, such as rural communities and low income areas, are disproportionally impacted by the closure of a bank branch, even when additional banks remain in the community. The closure of a bank in a community of limited banks decreases the overall availability of loans, reducing the supply of mortgages and small business credit. In communities with limited banking options, studies have shown that small businesses are particularly negatively impacted. When a bank closes, even when another bank exists in close proximity, the number of new small business loans decreases by 13 percent and can persist even after the opening of a new bank. Research also suggests that loan interest rates increase with the distance between a borrower and a competing bank capable of making a competitive loan.

Despite an increase in online banking, evidence shows that proximity to a physical bank still matters. While mobile banking has grown significantly, data shows that people across all demographics use physical bank branches regularly. Residents of rural areas and elderly portions of the population are more likely to use a physical bank as their primary point for banking services. Additionally, the effects of not having a bank location in close proximity are not evenly felt across all segments of the population, with low to moderate income households experiencing a greater negative effect. Low to moderate income households are increasingly more likely to own a bank account with nearby access to a bank location.[5] Furthermore, when the only reasonably accessible bank in an area closes, the impact can be incredibly harsh on the community. Oftentimes residents in a bank desert are faced with a life lacking meaningful financial services. According to the National Community Reinvestment Coalition, between 2008 and 2016, 86 new bank deserts were created in rural areas. In the absence of banks, other predatory industries fill the void left by these institutions. Payday loan and title loan services may provide residents similar services to a bank, but charge steep fees for these basic financial services. The average payday loan borrower will spend over $500 a year in interest alone.[6] These interest payments can often hinder individuals as they attempt to build financial security.

As bank closures continue across the country, policymakers are faced with the tough decision, of what, if anything, to do about this trend. While the federal government has placed increased procedure on closing banks, this policy only effectively serves to delay the closings and provide notice to the community. As banks cannot be required to remain open, policymakers seeking to keep banks in underserved areas must work to incentivize banks to stay. These areas can successfully work in partnership with smaller banks to assure that both parties' needs are met.[7] But, while banks occupy a vital role in society, it is important to remember that they are businesses and must often continue to make their decisions based purely on financial considerations. Similar to many current industries, the future of banking will be shaped by consumer preferences to evolving technology. Those areas most severely impacted by bank closures, rural and low to moderate income areas, must decide the future of financial services for their residents, keeping in mind this will often not look like traditional banking. Even with diligent work, the future of banking in these areas may necessarily evolve to downsize and automate existing bank locations. Ultimately consumers may have no option but to redefine how they access financial services in all areas as the trend of branch closures seems likely to continue. – *RB*

Endnotes

Address Workforce Demands with Apprenticeships

1 White House, Pledge to America's Workers, (last visited November 18, 2019), https://www.whitehouse.gov/pledge-to-americas-workers/.
2 Bureau of Labor Statistics, Economic News Release, Job openings, hires, and total separations by industry, seasonally adjusted (September 10, 2019), https://www.bls.gov/news.release/jolts.a.htm.
3 Office of the U.S. DOL Secretary News Release, Fact Sheet: Investing $90 Million through ApprecenticeshipUSA to Expand Proven Pathways into the Middle Class, (April 21, 2016), https://www.dol.gov/newsroom/releases/osec/osec20160421.
4 Roger Moore, Apprenticeships in the South, (August 2018), https://www.slcatlanta.org/research/index.php?pub=577.
5 State Education Policy Tracking, (choose "Career/Tech Ed"; then follow sub-issue Apprenticeship) (last visited August 25, 2019), https://www.ecs.org/state-education-policy-tracking/.
6 Apprenticeship Tax Credit Act of 2016, Ala. Code §§ 40-18-420 – 424.
7 Alabama Industry Recognized and Registered Apprenticeship Program Act, Ala. Code §§ 41-29-330 – 337.
8 Steve Kaelble, Area Development, 2019 Top States for Doing Business: Georgia Ranks #1 Sixth Year in a Row, (Q3 2019), https://www.areadevelopment.com/Top-States-for-Doing-Business/Q3-2019/overall-results-georgia-ranked-top-state-by-site-selection-c.shtml.
9 Mark Arend, Site Selection, 2019 Business Climate: Seven Straight, (November 2019), https://siteselection.com/digitalEdition/2019/nov/.
10 Roger Moore, Apprenticeships in the South, (August 2018), https://www.slcatlanta.org/research/index.php?pub=577.
11 Id.
12 Creating Opportunities Needed Now to Expand Credentialed Training (CONNECT) Act, changes made throughout O.C.G.A. § 20-2, http://www.legis.ga.gov/Legislation/20172018/176576.pdf.

Banking in the Desert: The Growing Trend of Bank Closures

1 Tatjana Kulkrarni, *Digital Banking Leads to Most Bank Branch Closings Since Great Depression,* Bank Innovation (Feb. 7, 2018), https://bankinnovation.net/allposts/operations/secur-risk/digital-banking-causes-most-bank-branch-closings-since-great-depression/.
2 Anna Tranfaglia, *Shrinking Netwrosk: A Spatial Analysis of Bank Branch Closures,* Fed. Reserve Bank of Philadelphia (Mar. 2018), https://www.philadelphiafed.org/-/media/research-and-data/publications/working-papers/2018/wp18-12.pdf.
3 Jim Marous, *Banks Can't Close Braches Fast Enough,* The Financial Brand (Feb. 5, 2014), https://thefinancialbrand.com/36981/bank-branch-closing-trends/.
4 Hugo Dante, *Don't Confuse Branch Closure with Fewer Banking Services,* ABA Banking Journal (Aug. 9, 2019), https://bankingjournal.aba.com/2019/08/dont-confuse-branch-closures-with-fewer-banking-services/.
5 Tranfaglia *supra* note 2.
6 Terri Friedline & Mathieu Despard, *Life in a Banking Desert,* The Atlantic (Mar. 13, 2016), https://www.theatlantic.com/business/archive/2016/03/banking-desert-ny-fed/473436/.
7 Matt Glynn, *How One Small Town Tried to Get its Bank Back,* The Buffalo News (July. 19, 2019), https://buffalonews.com/2019/07/19/how-one-small-town-tried-to-get-its-bank-back/.

Senate Research Office
Elizabeth Holcomb, Director
elizabeth.holcomb@senate.ga.gov
204 Coverdell Legislative Office Building
404.656.0015

Senate Budget & Evaluation Office
Melody DeBussey, Director
melody.debussey@senate.ga.gov
208 Coverdell Legislative Office Building
404.463.1970

Senate Press Office
Ines Owens, Director
ines.owens@senate.ga.gov
201 Coverdell Legislative Office Building
404.656.0028

Edited by:
Steve Tippins, Chief of Staff
Senate President Pro Tempore Office
steve.tippins@senate.ga.gov
321 State Capitol Building
404.656.6578