

Approved: 2-3-93
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Wanda Fuller at 3:30 p.m. on January 28, 1993 in Room 423-S of the Capitol.

All members were present except:
Representative Forrest Swall, excused

Committee staff present: Lynne Holt, Legislative Research Department
Bob Nugent, Revisor of Statutes
Ellie Luthye, Committee Secretary

Conferees appearing before the committee:
Gloria Timmer, Director, Division of Budget
Steve Jack, Department of Commerce and Housing

Others attending: See attached list

The Chair called on Gloria Timmer, Division of Budget, who presented the Governor's budget recommendations for the Economic Development Initiatives Fund. (Attachment 1)

Following this presentation Gloria Timmer responded to questions from the committee.

The Chair then recommended Lynne Holt, Research, meet with the Research staff that handles the EDIF budget and look over the budget analysis and then make a presentation to the committee to help facilitate recommendations to the House Sub-Committee who is responsible for the EDIF budget. The committee concurred.

The Chair next called on Steve Jack, Manager, Workforce Training, Industrial Development Division of the Commerce and Housing Department. He introduced other members of the staff to the committee: Carole Morgan, Deputy Secretary, Department of Commerce and Housing, Bill Thompson, Director, Industrial Development Division, Dave Cleveland and Richard Russell. Mr. Jack gave a report on the Workforce Training Program. He stated the Department of Commerce and Housing administers three customized training programs for business and industry - The Kansas Industrial Training program (KIT), Kansas Industrial Retraining program (KIR) and the State of Kansas Investments in Lifelong Learning program (SKILL). (Attachment 2)

Mr. Jack and the other members of the Department stood for questions.

Minutes of the Economic Development Committee meetings for January 25th, 26th and 27th were presented for additions or corrections. Representative Dean made a motion to approve the minutes, seconded by Representative Boston and the motion carried.

The meeting was adjourned at 4:40 p.m.

The next meeting is scheduled for February 1, 1993.

GUEST LIST

COMMITTEE: Economic Development DATE: 1-28-93

[illegible]

STATE OF KANSAS



DIVISION OF THE BUDGET

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Joan Finney
Governor

Gloria M. Timmer
Director

M E M O R A N D U M

TO: House Committee on Economic Development
FROM: Gloria M. Timmer, Director of the Budget
DATE: January 28, 1993
SUBJECT: Testimony on the Overview of the Economic Development Initiatives Fund

Thank you for the opportunity to speak with you about the Governor's budget recommendations for the Economic Development Initiatives Fund.

As you know, revenue from the Kansas Lottery and the Kansas Racing Commission provide the receipts to the State Gaming Revenues Fund (SGRF). Under current law, those receipts are distributed 90 percent to the Economic Development Initiatives Fund (EDIF) and 10 percent to the Correctional Institutions Building Fund (CIBF). For FY 1994, the Governor has again proposed that the distribution formula be modified to dedicate 65 percent of gaming revenues to the EDIF, 20 percent to the CIBF, and 15 percent to a newly-created General Facilities Building Fund.

Although at first glance, this might appear to be a retreat from economic development support, growth in Lottery sales and use of the EDIF only for economic development programs allow the Governor in FY 1994 to increase expenditures for economic development while, at the same time, reducing the EDIF's share of gaming revenues. In the past, "economic development" has been interpreted broadly, and the EDIF has been used often to offset routine State General Fund expenditures. The Governor's transfer recommendations from the EDIF in FY 1994 (Table 1) actually represent an increase of \$2.3 million over the current year. In part, this is accomplished by spending down the FY 1993 beginning balance of \$6.9 million; however, \$2.5 million is recommended for

January 28, 1993
Economic Development
Attachment 1

one-time expenditures to capitalize the Kansas Basic Enterprises Loan Guarantee Fund (\$1.0 million) and the Ad Astra Fund (\$1.5 million).

Transfers to the Department of Commerce and Housing, Kansas Technology Enterprise Corporation (KTEC), Kansas, Inc., and Area Vocational-Technical Schools actually increase from FY 1993 to FY 1994. Even after discounting the one-time fund capitalizations for seed capital and loan guarantees, the Governor's FY 1994 recommendations still represent EDIF increases for the Department of Commerce and Housing and KTEC. Items that drop from the list are Arts Commission grants, Historical Society projects, the Department of Education's At-Risk Program, a Regents' program, a recreational park study -- programs that marginally meet the definition of economic development. In general, these programs are funded from the State General Fund.

In the current year, the Governor's budget estimate is based on receipts of \$28,515,600 to the Economic Development Initiatives Fund and transfers out of \$28,993,399. Transfers exceed receipts because of the large beginning balance in the current year -- \$6.9 million. In FY 1994, at a 65 percent share of gaming receipts to the EDIF, the Governor estimates receipts of \$24,812,813 and transfers out of \$31,326,895. Again, transfers exceed receipts because of the large beginning balance. Included in the FY 1994 beginning balance is \$4.0 million resulting from the Governor's veto of the appropriation for the Historical Society's Center for Historical Research. Recognizing that the one-time availability of this money in FY 1994 would be best used for one-time expenditures, the Governor recommended fund capitalizations for the Ad Astra Fund and the Kansas Basic Enterprises Loan Guarantee Fund.

The 1990 Joint Committee on Economic Development established seven foundations for an economic development strategy, and three of the foundations -- Human Capital, Technology/Innovation, and Capacity -- were designated as priority areas. Table 2 shows the Governor's recommended expenditures from the EDIF for FY 1993 and FY 1994 arranged according to those foundations. It should be noted that the Arts Commission and Historical Society programs are not eliminated in the Governor's FY 1994 budget, but are instead financed from the State General Fund.

Table 3 shows the Governor's recommended expenditures from the EDIF and all funds for those agencies routinely thought of as economic development agencies -- the Department of Commerce and Housing, KTEC, and Kansas, Inc. Some research dollars which are accounted as Regents' universities' expenditures are also included in the table in the all funds' columns for the Centers of Excellence and the Experimental Program to Stimulate Competitive Research (EPSCoR). Again, it can be seen that the Governor's recommendations for economic development increase from FY 1993 to FY 1994.

Finally, it should be noted that all estimates for the State Gaming Revenues Fund from lottery and racing sources are conservative but realistic representations of revenues. Club Keno has been extremely successful so far, and the EDIF already benefits from that success. All estimates assume that the lottery and racing activities of the state will remain as currently in place. No adjustments are made for legislation on any other gambling issues which are being discussed this session.

Thank you for the opportunity to speak to this committee. I would be happy to answer any questions you might have.

TABLE 1

Economic Development Initiatives Fund

	FY 1993 Request	FY 1993 Gov Rec.	FY 1994 C Request	FY 1994 Gov Rec.
Estimated Revenues				
Beginning Balance		6,916,741		6,688,942
Lottery		22,950,000		20,904,000
Racing		5,565,600		3,908,813
Interest		250,000		250,000
Total Available		35,682,341		31,751,755
Transfers		28,993,399		31,326,895
Balance Forward		6,688,942		424,860
Transfers				
State Water Plan	2,000,000	2,000,000	2,000,000	2,000,000
Department of Commerce and Housing				
Small Business Development Centers	325,000	325,000	325,000	325,000
Certified Development Companies	475,000	475,000	475,000	475,000
Kansas Industrial Training/Retraining	2,250,000	2,250,000	3,250,000	2,250,000
Trade Show Promotion	220,894	220,894	275,172	275,172
Strategic Planning Grants	445,000	445,000	445,000	445,000
Main Street Program	123,500	123,500	172,500	123,500
Tourism Promotion	1,535,577	1,535,577	3,373,883	1,209,383
Industrial Marketing	725,833	725,833	950,118	670,664
International Representation	540,600	540,600	705,600	600,000
Rural Development Council	--	--	48,358	46,529
Micro-Enterprise Loan Program	--	--	1,200,000	--
Basic Enterprises Loan Program	--	--	1,000,000	1,000,000
Operations	2,115,622	2,132,325	3,018,759	2,615,057
Subtotal Commerce and Housing	8,757,026	8,773,729	15,239,390	10,035,305
Kansas Technology Enterprise Corporation				
Research Matching Grants	1,009,613	1,009,613	1,500,000	1,009,613
Business Innovative Research Grants	25,000	25,000	50,000	25,000
Training Equipment	150,000	150,000	150,000	150,000
Research Equipment Grants	--	--	500,000	--
Industrial Liaison	300,000	300,000	300,000	300,000
Database Development	35,000	35,000	15,000	15,000
Centers of Excellence	3,715,000	3,715,000	4,500,000	3,700,663
Seed Capital	--	--	4,000,000	1,500,000
Special Projects	321,250	321,250	448,000	348,000
Commercialization	250,000	250,000	250,000	250,000
Industrial Ag Products	200,000	200,000	250,000	250,000
Mid-America Manufacturing Technology Ctr.	1,000,000	1,000,000	1,000,000	1,000,000
Value Added Processing Center	622,705	622,705	691,933	633,887
Operations	713,370	691,786	834,682	749,736
Subtotal KTEC	8,341,938	8,320,354	14,489,615	9,931,899
Department of Education				
At-Risk Academy	--	--	--	--
Cultural Arts Center	25,000	25,000	25,000	--
Foundation for Agriculture	25,000	25,000	25,000	--
At-Risk/Innovative Program Assistance	1,500,000	1,500,000	1,500,000	--
Matching Grants - AVTS	500,000	500,000	500,000	500,000
Postsecondary Aid - AVTS	500,000	500,000	500,000	2,500,000
Capital Outlay - AVTS	1,000,000	1,000,000	1,500,000	1,000,000
Subtotal Education	3,550,000	3,550,000	4,050,000	4,000,000
Agriculture Market Promotion	275,004	275,004	275,000	274,996
KSSB Accessible Arts Program	19,300	19,300	--	95,000
Kansas, Inc.	1,600,874	1,600,874	1,603,374	1,605,995
Revenue	3,000,000	3,000,000	12,300,000	3,000,000
Wildlife and Parks	20,000	20,000	1,613,150	--
Animal Health	--	--	50,000	--
State Fair	100,000	100,000	100,000	100,000
Arts Commission	786,938	786,938	1,078,944	--
Historical Society	223,500	223,500	598,019	--
Board of Regents	40,000	40,000	40,000	--
State Library	283,700	283,700	283,700	283,700
EDIF Total	\$28,998,280	\$28,993,399	\$53,721,192	\$31,326,895

Governor's Budget Reco. Foundations — EDIF
by Foundation of Economic Development Strategy

TABLE 2

	FY 1993 EDIF Approved	FY 1994 EDIF Gov Rec
Human Capital		
Department of Commerce and Housing		
KIT and KIR Programs	2,250,000	2,250,000
Department of Education		
Area Vocational Technical School Grants	3,550,000	4,000,000
State Library		
Adult Volunteer Literacy Program	283,700	283,700
Kansas Technology Enterprise Corporation		
Training Equipment Grants	150,000	150,000
Board of Regents		
Economic Education	40,000	--
Technology/Innovation		
Kansas Technology Enterprise Corporation		
Applied Research Matching Grants	1,124,146 *	1,009,613
Centers of Excellence	3,715,000	3,700,663
Research Equipment Grants	--	--
Small Business Innovation Research Grants	25,000	25,000
Agricultural Value Added Grants	405,574	399,000
Data Base	35,000	15,000
MAMTC	1,000,000	1,000,000
Industrial Ag Products	200,000	250,000
KTEC Operations	713,370	749,736
KVAC Operations	217,131	234,887
Kansas, Inc.		
EPSCoR Match	1,500,000	1,500,000
Capacity		
Department of Commerce and Housing		
Strategic Planning Grants	445,000	445,000
Certified Development Company Grants	475,000	475,000
Small Business Development Center Grants	325,000	325,000
Rural Development Council	43,918 *	46,529
Main Street Program	123,500	123,500
Kansas Technology Enterprise Corporation		
Industrial Liaison Offices	300,000	300,000
Special Projects	321,250	348,000
Commercialization	250,000	250,000
Kansas, Inc.		
Operations	100,874	105,995
Business Environment		
Department of Commerce and Housing		
Trade Show Promotion	220,894	275,172
International Trade Representation	540,600	600,000
National Marketing	725,833	670,664
Tourism General Promotion	1,635,577 *	1,209,383
Operations	2,132,325	2,615,057
Board of Agriculture		
Agriculture Marketing	275,004	274,996
Financial Capital		
Department of Commerce and Housing		
Basic Enterprises Loan Program	--	1,000,000
Kansas Technology Enterprise Corporation		
Seed Capital	--	1,500,000
Quality of Life		
Kansas State School for the Blind		
Accessible Arts Program	19,300	95,000
State Fair		
Grandstand Renovations	100,000	100,000
State Conservation Commission		
Water Plan Fund	2,000,000	2,000,000
Kansas Arts Commission		
Grants to Local Organizations	797,901 *	--
State Historical Society		
State Operations and Capital Improvements	440,701 *	--
Department of Wildlife and Parks		
Recreational Study	20,000	--
Infrastructure Capital		
N/A	--	--
Other		
Department of Revenue		
County Appraisal	3,000,000	3,000,000

* FY 1993 figure includes reappropriations.

Gov. Governor's Budget Recommendations — Economic Development Agencies
by Foundation of Economic Development Strategy

TABLE 3

	FY 1993 EDIF Approved	FY 1993 All Funds Approved	FY 1994 EDIF Gov Rec	FY 1994 All Funds Gov Rec
Human Capital				
Department of Commerce and Housing				
KIT and KIR Programs	\$2,250,000	\$2,250,000	\$2,250,000	\$2,250,000
SKILL Program	--	1,239,553	--	1,029,913
Kansas Technology Enterprise Corporation				
Training Equipment Grants	150,000	150,000	150,000	150,000
Technology/Innovation				
Kansas Technology Enterprise Corporation				
Applied Research Matching Grants	1,124,146	1,124,146	1,009,613	1,009,613
Centers of Excellence	3,715,000	4,344,511	3,700,663	4,360,380
Research Equipment Grants	--	--	--	--
Small Business Innovation Research Grants	25,000	25,000	25,000	25,000
Agricultural Value Added Grants	405,574	405,574	399,000	399,000
Data Base	35,000	35,000	15,000	15,000
MAMTC Grants	277,456	3,227,456	182,451	4,282,451
MAMTC Operations	722,544	722,544	817,549	917,549
Industrial Ag Products	200,000	200,000	250,000	250,000
KTEC Operations	713,370	713,370	749,736	749,736
KVAC Operations	217,131	217,131	234,887	234,887
Kansas, Inc./Universities				
EPSCoR	1,500,000	2,980,000	1,500,000	2,980,000
Capacity				
Department of Commerce and Housing				
Strategic Planning Grants	445,000	445,000	445,000	445,000
Certified Development Company Grants	475,000	475,000	475,000	475,000
Small Business Development Center Grants	325,000	325,000	325,000	325,000
Small/Minority Business Operations	97,703	369,686	170,513	1,451,024
Field Offices	72,052	276,808	74,646	288,735
Rural Development Council	43,918	43,918	47,039	47,039
Main Street Program	123,500	123,500	123,500	123,500
Other Community Assistance Operations	136,654	374,173	128,068	381,231
Kansas Technology Enterprise Corporation				
Industrial Liaison Offices	300,000	300,000	300,000	300,000
Special Projects	321,250	321,250	348,000	348,000
Commercialization	250,000	250,000	250,000	250,000
Kansas, Inc.				
Operations	100,874	430,428	105,995	440,101
Business Environment				
Department of Commerce and Housing				
Trade Show Promotion Grants	220,894	220,894	275,172	275,172
International Trade Representation	540,600	540,600	600,000	600,000
International Trade Operations	528,087	957,091	429,253	856,009
Export Finance Operations	69,175	69,175	82,119	82,119
National Marketing	725,833	889,817	672,185	871,193
Other Industrial Development Operations	34,500	148,440	46,349	137,612
Tourism Promotion Operations	913,577	1,339,021	909,198	1,359,440
Tourism Grants	710,000	710,000	290,000	290,000
Visitor Information Centers	295,535	387,325	347,676	430,027
Film Services	152,100	272,301	152,100	273,678
Kansas Magazine	--	407,065	--	486,072
General Administration	759,896	1,413,372	1,192,487	1,353,596
Financial Capital				
Department of Commerce and Housing				
Basic Enterprises Loan Program	--	--	1,000,000	1,000,000
Kansas Technology Enterprise Corporation				
Seed Capital	--	--	1,500,000	1,500,000
Quality of Life				
Department of Commerce and Housing				
Division of Housing	--	19,681,712	--	16,344,320
Infrastructure Capital				
Department of Commerce and Housing				
Community Development Block Grant Program	--	16,627,393	--	18,134,563
Kansas Partnership Loans	--	201,585	--	201,585
Total	\$18,976,369	\$65,284,839	\$21,573,199	\$67,723,545

Table includes all expenditures for DOCH, KTEC, and Ks, Inc. and SGF appropriations to Centers of Excellence.

**A Report on
Workforce Training Programs**

**Presented to
a Joint Meeting of
The House Economic Development Committee
and
The Senate Commerce Committee**

**By
Steven Jack
Manager, Workforce Training
Industrial Development Division
Kansas Department of Commerce & Housing**

January 28, 1993

The Kansas Department of Commerce and Housing administers three customized training programs for business and industry -- the Kansas Industrial Training (KIT) program, the Kansas Industrial Retraining (KIR) program, and the State of Kansas Investments in Lifelong Learning (SKILL) program. The KIT program is available to companies wanting to locate a new facility in Kansas and to existing companies wanting to expand their workforces. KIT is a job creation tool designed to train new employees quickly and efficiently. The KIR program assists those companies that are restructuring their operations through the incorporation of new technology or new production activity. KIR is designed to give existing workers the new skills now required of their jobs. Both the KIT and KIR programs are funded from the Economic Development Initiatives Fund (EDIF).

The recently initiated SKILL program, like KIT, is available to new and expanding companies. The primary difference between the two programs is the funding source. Under the SKILL program, tax-exempt, public purpose bonds are issued on behalf of a company and then retired using a portion of statewide employee withholding taxes. This funding mechanism gives the state the ability to respond to much larger training projects than would be possible under the KIT program. While my formal remarks today will focus on the KIT and KIR program, I have made available to the committee the first SKILL Annual Report and would be happy to answer any questions about this new program.

The KIT program has been funded through annual appropriations and has been administered through the general authority of this agency since FY1973. In 1988, House Bill 2515 formally established the KIT program in statute and created the KIR program.

In the current fiscal year, 59 projects have been funded with 55 companies (see Attachment A). \$843,030 has been obligated to train 1,280 new employees in 13 new companies and 13 existing firms. \$1,228,738 has been obligated to train 10,087 existing employees in 33 projects. The balance of \$178,232 has been committed to four companies that the department is currently working with. These obligations and commitments have depleted all funds in this fiscal year. KIR project funding was halted after two months. The KIT program funded projects through mid-December.

The KIR program requires a 100 percent match from companies. Attachment A shows that, in the current fiscal year, companies have matched state funds by 200 percent. While the KIT program does not require a match, companies have contributed nearly \$750,000 in matching funds. In total, \$2 million of state funds have leveraged nearly \$3.2 million of private sector involvement in workforce training programs.

Historically, the KIT and KIR programs have assisted more small Kansas companies than large ones. In order to allow even more small businesses access to the programs, the minimum number of trainees was lowered from 10 to 5 in 1992. This year 10 projects were funded with fewer than 10 trainees. Of the 55 companies receiving assistance, 29 employed fewer than 100 people, 20 employed 100 to 499 individuals, and 6 companies had more than 500 employees (see Attachment B). Small companies received \$632,136 to train 825 employees, medium-sized companies received \$810,756 to train 2,063 employees, and large companies utilized \$628,876 to train 8,479 employees. The cost per trainee ranged from \$74 for large firms, \$393 for medium-sized companies, and \$766 for small businesses.

Several factors are involved in the determination of a KIT or KIR project allocation. Because the training programs reimburse companies for actual expenditures as costs are incurred and documented, budgets are based on workable training plans submitted by the company, often in conjunction with an area vocational-technical school, community college, or university. These budgets are then negotiated with the company based on the skill level of the jobs to be filled, how comprehensive the training is, the quality of the jobs, the number of jobs, and often the impact the dollars will have as a job creation incentive.

The 1992 Kansas Inc. evaluation (see Attachment C) of the training programs indicates that without KIT and KIR funds a substantial number of jobs would be lost to the state:

- * 43% of firms receiving KIR funds would have laid off workers or gone out of business.
- * 28% of new firms receiving KIT funds would have located their business elsewhere.
- * 25% of existing firms receiving KIT funds would have added additional employees.

Job creation and job retention are not the only goals of the KIT and KIR programs. Each program also enables new and existing employees to receive a higher level of skills than they would have without the assistance. The Kansas Inc. evaluation revealed the significant impact the programs have on a company's ability to provide adequate training. Without these funds:

- * 57% of firms receiving KIR funds would have been able to provide only partial training or no training at all to their employees.
- * 25% of firms receiving KIT funds would not have been able to provide equivalent training.
- * A significant delay in training would have occurred in 29% of firms receiving KIR funds and in 19% of firms receiving KIT funds.

Additionally, the data reveal that "KIT/KIR training appears to have translated into increases in the median wages of workers." The evaluators concluded that "the KIT/KIR program seems to be adding to the transferable human capital of Kansas workers."

Funding of the KIT and KIR programs grew during the 1980s from approximately \$31,000 in FY1981 to more than \$3.2 million in FY1990 and FY1991 (see Attachment D). In FY1992 funding dropped by about \$1 million. State appropriations were reduced from \$2.75 million in FY1991 to \$2.25 million in FY1992. An additional reduction of approximately \$500,000, previously used for KIT and KIR projects through the Kansas State Board of Education, occurred due to changes in the federal Carl Perkins law in FY1991. Federal funding, which made up 51 percent of total program funding in FY1988, gradually declined from 26 percent in FY1989 to 17 percent in FY1990 and 14 percent in FY1991 before it disappeared completely in FY1992.

While KIT/KIR allocations have been reduced, the new SKILL program significantly increased job training resources available to new and expanding firms. As a result, some of the fiscal pressure placed on the KIT program from larger projects has been relieved. However, the primary demand for program funds is attributable to existing companies who are retraining employees as well as small and medium-sized companies adding fewer numbers of new jobs. SKILL cannot be used to retrain existing employees, and the vast majority of KIT projects are too small for SKILL to be utilized effectively.

Funding pressures are coming at a time when demand for the KIR program, specifically, has risen dramatically. We received more requests for retraining assistance in the first two months of this fiscal year than we did in all of last year. This is reflective of what is happening in industry today. As businesses are pulled into the global economy, new skills and higher standards of quality are being required of employees. Rhetoric has become reality for Kansas businesses.

One of the most important tasks in the administration of the KIT and KIR programs in the future is to minimize the number of companies turned away after the funds are depleted. Steps will be taken to further reduce the amount companies are eligible for and to limit the number of times companies may request assistance.

Additionally, staff will continue to explore ways to coordinate with JTPA, KanWork, Aging, Apprenticeship, and other related programs involved in preparing people for work. New invoice, employee report, and application forms will be used in FY1994 that are clearer and easier to use. Increased company visits and followup are planned for the coming year. Efforts to improve the payment system are already underway.

01/27/93

KANSAS DEPARTMENT OF COMMERCE & HOUSING

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FY93 KIT/KIR Projects

Project #	Company	Community	Product	Type*	Dates	Trainees	Obligations	Expenditures	Balance	Match
dr 93/1	+++Schoenhoffer Bros.	Parsons	Wood Products	KIT-N	7/92-6/93	10	10,000.00	7,555.00	2,445.00	1,000.00
dc 93/2	+++Great-West	Ft. Scott	Benefit Payments	KIT-N	7/92-9/93	a.	102,000.00		102,000.00	43,932.00
dc 93/3	+++Clinical Research	Lenexa	Clinical Research HQ	KIT-N	7/92-6/93	80	74,359.00		74,359.00	
sj 93/4	+++National Sun Industries	Goodland	Sunflower Oil	KIT-N	7/92-6/93	40	80,000.00		80,000.00	18,310.00
dr 93/5	+++Advanced Plastic Coating	Parsons	Custom Coating	KIT-N	8/92-7/93	12	10,000.00	8,200.00	1,800.00	2,000.00
sj 93/6	+++Sprint	Westwood	Telecommunications	KIT-E	7/92-6/93	640	89,306.00		89,306.00	80,952.00
dr 93/7	+++Midwestern Electronics	Merriam	Electronic Components	KIT-E	8/92-6/93	18	33,195.00	2,172.00	31,023.00	
dr 93/8	+++ITT Hartford Insurance	Ft. Scott	Insurance	KIT-N	8/92-12/92	33	41,048.00	34,393.00	6,655.00	111,350.00
dc 93/9	+++MAT Industries	Leavenworth	Garments	KIT-E	8/92-11/92	10	10,067.78	10,067.78		
dc 93/10	+++Casco	Wichita	Plastic Injection Molding	KIT-E	7/92-6/93	85	85,000.00		85,000.00	247,000.00
dr 93/11	+++Kansas Aviation of Independ.	Independence	Aircraft Components Remanuf.	KIT-N	7/92-6/93	8	8,864.00	8,864.00		9,900.00
dr 93/12	+++Neodesha Eagle Buildings	Neodesha	Wooden Building Fabrication	KIT-N	7/92-6/93	6	12,000.00	5,317.62	6,682.38	6,920.00
sj 93/13	+++Premier Boneless Meats	Lenexa	Pork Processing	KIT-N	7/92-7/93	82	74,650.00	31,809.00	42,841.00	19,712.00
sj 93/14	+++Metmor Financial	Overland Park	Mortgage Loan Servicing	KIT-E	7/92-7/93	71	57,407.00		57,407.00	4,750.00
dr 93/15	+++Mid-America Point of Sale	Hutchinson	Information Systems	KIT-E	8/92-7/93	7	9,630.00	4,220.00	5,410.00	9,630.00
dr 93/16	+++Blew Chip, Inc	Hutchinson	Computer Warranty Repair	KIT-E	8/92-7/92	6	6,300.00	1,590.00	4,710.00	6,300.00
sj 93/17	+++Klindt Corporation	Lenexa	Beauty Supply Wholesale	KIT-N	10/92-9/92	64	30,529.00		30,529.00	6,400.00
dr 93/18	+++Westmark Manufacturing	Parker	Garment Manufacturing	KIT-E	11/92-8/93	20	17,474.00		17,474.00	32,986.00
sj 93/19	+++Century Plastics, Inc.	El Dorado	Plastic Injection Molding	KIT-E	10/92-6/93	12	11,665.00		11,665.00	
dr 93/20	+++Coronado Binding Systems	Lenexa	Office Binding Equipment	KIT-E	11/92-4/93	6	12,000.00		12,000.00	
dr 93/21	+++ArComm Fiber Systems	Lenexa	Fiber Optic Cable	KIT-E	11/92-10/93	7	14,000.00		14,000.00	
sj 93/22	+++Avalon Conversion Services	Osage City	Electronic Blueprint Conv.	KIT-E	1/93-10/93	6	12,000.00		12,000.00	40,524.00
dr 93/23	+++IMI Business Forms/Flesh Co.	Parsons	Printing	KIT-E	11/92-10/93	20	7,535.00	1,055.00	6,480.00	2,900.00
sj 93/24	+ JIIMCO	Seneca	Imaging Systems	KIT-N	11/92-6/93	6	12,000.00		12,000.00	77,800.00
dc 93/25	+++Jenkins Motorsports	Dodge City	Sprint Car Manufacturing	KIT-N	12/92-6/93	6	12,000.00		12,000.00	10,700.00
dc 93/26	+++Catalog Holdings, Inc.	Lawrence	Telecatalog Center	KIT-N	12/92-6/93	25	10,000.00		10,000.00	15,000.00
KIT Subtotals						1,280	843,029.78	115,243.40	727,786.38	748,000.00
dr 93/101	+++Boelte-Hall Litho	Roeland Park	Printing	KIR	7/92-12/92	50	5,568.00	5,568.00		5,568.00
sj 93/102	+++Learjet	Wichita	Aircraft	KIR	7/92-6/93	372	129,201.00	34,653.30	94,547.70	129,202.00
sj 93/103	+++Service Systems Int.	Overland Park	Software	KIR	7/92-6/93	65	20,571.00		20,571.00	20,571.00
dr 93/104	+++J.I. Case	Wichita	Agricultural Equipment	KIR	7/92-12/92	85	10,624.00	4,089.00	6,535.00	10,624.00
dr 93/105	+++Thermoid HBD Industries	Chanute	Hose & Ducting	KIR	7/92-10/92	103	5,560.00	5,560.00		5,560.00
dr 93/106	+++Allen Press	Lawrence	Printing	KIR	7/92-11/92	177	19,780.00	19,780.00		19,780.00
dr 93/107	+++Morton International	Hutchinson	Salt	KIR	7/92-6/93	110	47,639.00	2,972.52	44,666.48	47,640.00
sj 93/108	+++Sante Fe	Topeka	Railcar Transportation	KIR	7/92-6/93	147	64,995.00	14,743.00	50,252.00	64,995.00
dc 93/109	+++Gilliland Printing	Winfield	Printing	KIR	7/92-8/93	118	82,378.00	31,428.55	50,949.45	82,378.00
sj 93/110	+++Santa Fe	Topeka	Railcar Transportation	KIR	7/92-6/93	699	135,000.00		135,000.00	263,960.00

FY93 KIT/KIR Projects

Project #	Company	Community	Product	Type*	Dates	Trainees	Obligations	Expenditures	Balance	Match
dr 93/111	+++Wolfe Machine	Mulvane	Aerospace Components	KIR	9/92-11/93	12	985.00	985.00		985.00
dr 93/112	+++Sherwin-Williams	Coffeyville	Paint	KIR	7/92-12/92	11	20,000.00	20,000.00		20,000.00
dr 93/113	+++Vornado Air Circulation	Andover	Fans	KIR	8/92-12/92	7	6,500.00	5,757.97	742.03	6,500.00
sj 93/114	+++Sprint	Westwood	Telecommunications	KIR	7/92-6/93	5,760	110,694.00		110,694.00	874,631.00
dr 93/115	+++Midwestern Electronics	Merriam	Electronic Components	KIR	8/92-6/93	30	9,996.00	578.00	9,418.00	9,999.00
dr 93/116	+++Evcon	Wichita	Heating/Airconditioning Unit	KIR	7/92-6/93	130	9,382.00		9,382.00	9,382.00
dr 93/117	+++Royal Tractor Co.	Ind. Airport	Heavy Equipment	KIR	9/92-3/93	60	27,073.00	16,495.51	10,577.49	27,073.00
dc 93/118	+++General Electric	Arkansas City	Aircraft Engine Repair	KIR	7/92-6/93	701	56,210.00		56,210.00	56,210.00
dr 93/119	+++E and E Specialties	Lawrence	Retail Displays	KIR	7/92-6/93	112	11,603.00		11,603.00	11,603.00
sj 93/120	+++Superior Industries	Pittsburg	Aluminum Wheels	KIR	7/92-6/93	140	31,970.00	6,373.51	25,596.49	31,970.00
dr 93/121	+++Ferguson Production	McPherson	Plastic Injection Molding	KIR	8/92-6/93	25	7,650.00	740.00	6,910.00	7,650.00
sj 93/122	+++UARCO	Eudora	Printing/Business Forms	KIR	8/92-5/93	125	57,707.00	12,189.92	45,517.08	57,707.00
dr 93/123	+++Peabody TecTank	Parsons	Bulk Storage Tanks	KIR	9/92-7/93	175	19,188.00		19,188.00	21,208.00
dr 93/124	+++Broadway Industries	Olathe	Architectural Components	KIR	9/92-10/92	56	50,000.00	7,500.00	42,500.00	93,712.00
sj 93/125	+++Ottawa Truck Corp.	Ottawa	Trucks and Tractors	KIR	7/92-6/93	230	93,156.00	80,926.80	12,229.20	196,325.00
dr 93/126	+++Ward/Kraft	Ft. Scott	Printing/Business Forms	KIR	9/92-12/93	100	24,024.00		24,024.00	35,020.00
dc 93/127	+++MAT Industries	Leavenworth	Garments	KIR	8/92-11/92	10	2,011.52	2,011.52		2,012.00
dc 93/128	+++Farrar Corporation	Norwich	Iron Foundry/Machine Shop	KIR	9/92-7/93	100	28,073.00	8,060.39	20,012.61	28,074.00
dc 93/129	+++Proctor & Gamble	Kansas City	Soaps & Detergents	KIR	8/92-6/93	130	80,000.00		80,000.00	170,085.00
dr 93/131	+++Day and Zimmermann	Parsons	Facilities Management	KIR	9/92-11/93	20	11,500.00		11,500.00	11,500.00
dc 93/132	+++Precision Machining	Wellington	Aerospace Components	KIR	9/92-9/93	91	30,000.00	4,843.25	25,156.75	63,525.00
dr 93/133	+++Dayco Products	Ft. Scott	Industrial Belts	KIR	8/92-6/93	136	19,700.00	8,302.13	11,397.87	41,200.00
KIR Subtotals						10,087	1,228,738.52	293,558.37	935,180.15	2,426,649.00
KIT/KIR Totals						11,367	2,071,768.30	408,801.77	1,662,966.53	3,174,715.00
BUDGET							2,250,000.00			
BALANCE							178,231.70	committed to four 1993 projects		

*N=New Facility/E=Existing Facility

a. 1992 Carryover Project - 100 Trainees; Commerce obligation in FY92 = \$58,120

+ Contract has been drafted.

++ Contract has been signed.

+++ Encumbrance number has been assigned.

Project Coordinator:

dc Dave Cleveland dr Dick Russell sj Steve Jack

OBLIGATIONS AND EXPENDITURES BY CONGRESSIONAL DISTRICT

Cong. Dist.	Obligations	Expenditures	Balances
1st	163,219.00	9,522.52	153,696.48
2nd	641,229.30	184,505.36	456,723.94
3rd	788,438.00	96,092.43	692,345.57
4th	478,882.00	118,681.46	360,200.54

FY93 KIT AND KIR PROJECTS

BY SIZE OF COMPANY

Size of Company	Number of Companies	Contract Obligations	Number of Trainees	Cost per Trainee
5-99	29(53%)	\$632,136(31%)	825(7%)	\$766
100-499	20(36%)	\$810,756(39%)	2,063(18%)	\$393
500+	<u>6(11%)</u>	<u>\$628,876(30%)</u>	<u>8,479(75%)</u>	<u>\$74</u>
TOTALS	55(100%)	\$2,071,768(100%)	11,367(100%)	\$182

Evaluation of Program in the Kansas Department of Commerce

ATTACHMENT C

The Institute for Public Policy and Business Research

The University of Kansas

January, 1992

KIT/KIR

IPPBR determined that the KIT/KIR program is extremely valuable for Kansas businesses and individual Kansas workers who are fortunate enough to participate in it. To paraphrase the comments of several program participants, this type of state assistance is absolutely essential if we are going to get and keep manufacturing businesses and good jobs in Kansas. Given the past success and great value of the KIT/KIR program, there are few policy options for this program area.

1. **Maintain KIT/KIR program in essentially in its present form.**

Rationale: The KIT/KIR program is extremely valuable for Kansas businesses and individual Kansas workers who are fortunate enough to be touched by it. Its major contributions appear to be: 1) helping to get new businesses and business expansions and changeovers off to solid starts by permitting substantially better training of workers than most organizations could afford by themselves; (2) providing valuable enhancements to the human capital of Kansas workers by improving both their general and industry-specific knowledge and skill levels; and 3) assisting Kansas communities and KDOC in attracting new businesses and aiding business expansions.

2. **Continue to fund KIT/KIR at its present level, and if possible, increase its level funding substantially.**

Rationale: Given the past success and great value of the KIT/KIR program, not to mention its extremely high popularity with Kansas businesses which participated in the program, the Legislature should consider increasing funding for KIT/KIR. If fiscal constraints bar this, then funding should be maintained—at a minimum—at its current level, adjusted for inflation.

6 | Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR)

Background

History

The Industrial Development Division of KDOC administers two workforce training programs: the Kansas Industrial Training (KIT) program and the Kansas Industrial Retraining (KIR) program. K.S.A. 74-5065 (a) and (b) outlines their responsibilities:

...[for KIT to provide] training, customized to meet specifications of a new or expanding industry, of new employees or prospective employees, or both, of the industry.

...[for KIR to provide] retraining, customized to meet the specifications of a restructuring industry, of employees of the industry.

The KIT program—originally under the general authority of the Department of Economic Development (KDED)—was funded through annual appropriations from FY 1973-1988. During FY 1982, the KDED and the Kansas State Department of Education entered into a "memorandum of understanding," and both agencies agreed to work together in providing occupational skills training of Kansas firms. As a result, state funds and federal funds under the Carl Perkins Vocational Education Act were combined. In 1988, the Legislature formally established KIT and KIR in

statue, and funding from the Economic Development Initiatives Fund was allocated to the programs.

The Redwood/Krider report offered this recommendation regarding KIT:

KIT is the most flexible of the state's job training programs and the only one whose sole objective is economic development. It is important that this program be adequately funded so that KDED can take the initiative in designing customized job training programs for new and expanding businesses. The development of customized training programs for employers can be important in making Kansas more attractive to businesses, because employers control the content and relevance of such training.

An expanded KIT program is essential because its funds (1) can be committed very quickly, (2) can be used for any kind of training, and (3) can be used to train any employee selected by the employer. Such flexibility is crucial in putting together a coordinated job training program involving vocational education and JTPA. An expanded KIT would permit the state to use job training as a major part of its economic development strategy. Such a strategy is appropriate and important for Kansas.

Activities

Both programs are available to manufacturing, distribution, regional, or national service-related companies training 10 or more employees. Under KIT, state vocational training specialists work with a firm to assess the skills needed by its workforce. Each training program is adapted to the firm's production specifications. KIT then assembles the appropriate educational resources. Training may include pre-employment training, on-the-job training, and/or classroom training. All costs for training are covered by KIT, including instructors' salaries; travel, lodging, and meals; video tapes; training manuals/textbooks; supplies and materials; minor equipment; certain utility costs; and curriculum planning and development.

KIR, on the other hand, requires firms to share the costs of training. The program helps industries cope with employees who have obsolete or inadequate job skills. Firms which are restructuring their operations through incorporation of existing technology, development/incorporation of new technology, product diversification, or implementation of new production activities are eligible for KIR funds.

Budget

Table 6.1 presents the source of funding for KIT/KIR. Over the FY 1988-1990 period, the greatest funding gain for KIT/KIR—an annualized growth of 40.2 percent—came from the Economic Development Initiatives Fund (EDIF). Federal funds—or Carl Perkins monies through the Kansas State Department of Education (KS DOE)—increased 2.2 percent during the FY 1987-1990 period. KDOC began to track program operating expenditures for KIT/KIR in FY 1991.

Staffing

As mentioned in the section on the Industrial Development Division, KIT/KIR has two staff positions dedicated to it. One of the positions had been an industrial representative in the Division. When the position became vacant it was switched to job training.

Methodology

The purpose of this study was to answer the following research questions:

1. What role do KIT funds play in affecting firm decisions to locate a business in Kansas and/or expand an existing Kansas business;

2. To what extent is the human capital (knowledge, skills, and abilities) of Kansas workers trained through KIT funded programs enhanced;

3. What role do KIR funds play in affecting firm decisions to retain and retrain current workers when firms undergo significant restructuring; and

4. To what extent is the human capital (knowledge, skills, and abilities) of Kansas workers trained through KIR funded programs enhanced?

KDOC currently conducts annual mail surveys of KIT/KIR funding recipients. To avoid confusion with the internal evaluations undertaken by

Table 6.1
KIT/KIR Program Funding:
Source of Total Budget, FY 1987-FY 1990

	St. General Fund (KDOC)	Federal (KS DOE)	EDIF
FY 1987	\$ 844,456	\$532,242	
FY 1988		743,493	\$ 725,000
FY 1989	800,000	699,665	1,200,000
FY 1990	1,296,225	568,425	1,425,000

<i>Annualized</i>			
<i>% change</i>	15.4%	2.2%	40.2%

Source: Department of Commerce: Program Abstracts and Performance Data, Kansas Inc., May 1991.

KDOC, IPPBR decided to use a series of mini case studies of firms receiving KIT/KIR funds during FY 1989-1991. Firms were selected from the total of 143 (19 KIR, 124 KIT) which have received funding.

Using a small stratified representative sample of firms, KIT participants were separated into two groups: those forming *new* Kansas businesses and those *expanding* existing Kansas businesses. Of the 39 firms originally selected for inclusion in the study, data were actually obtained from 37 firms, including 14 businesses receiving KIT/new grants; 16 receiving KIT/expanding grants; and 7 accepting KIR grants.

For each firm, data were collected from two sources. First, each firm's file, as maintained by the Department of Commerce, was examined. Information in these files included a formal training plan, trainers and trainees, and receipts for supplies, materials, and other items. Second and primary data collection was also obtained from site visits to each firm. A structured interview was given, generally covering the following questions: a) the role and importance of KIT funds in locating/expanding the business; b) the importance of KIR funds in restructuring portions of the business and retraining employees; c) the number of employees trained/retrained; d) extent to which the company would have trained/retrained without funds; e) specific nature of training; f) utility of training to the firm; g) savings or benefits from the program; h) retention of trained employees; i) ability/plans to replace trained employees who have left the firm; j) wage rates for trained employees; k) firm size; l) extent to which the firm would recommend the programs to others; and m) general comments on the programs.

Findings

To date, KIT/KIR have provided funds for a variety of Kansas businesses. Some of them have included aircraft manufacturing, telemarketing, financial services, and meat processing. Each firm designs its own training program and may utilize its own staff or an area vocational-technical

school, community college, vendors, consultants, or any mix of these providers.

KDOC Files

Files for the 39 firms were examined for detail and completeness:

1. *Training Plan*. While 100 percent of all firms submitted a training plan, twenty-six percent were detailed, in the opinion of the researchers.

2. *Trainers*. Sixty-seven percent of firms provided a complete list of trainers, in comparison to 20 percent submitting a partial list and 13 percent with no list at all.

3. *Trainees*. Sixty-seven percent had a complete listing of trainees, ten percent provided a partial list, and 23 percent offered no list.

4. *Receipts/Invoices*. All firms (100%) provided receipts and invoices, as required.

KDOC also began keeping computerized records for KIT/KIR beginning in FY 1990. Current accounting information on each contract, correspondence and notes, and relevant newspaper clipping were also kept in some files.

Case Studies

Key findings from the case studies were:

1. *Discovery*. When asked to list how they learned about KIT/KIR, respondents were most likely to mention these sources: a) KIT/new—local government (43%) or KDOC (29%); b) KIT/expanding—local Chamber of Commerce (31%), local government (19%), or previous experience with KIT/KIR (19%); and c) KIR—KDOC (57%), previous experience with KIT/KIR (43%), or the Kansas State Department of Education (29%).

2. *KDOC Application Assistance*. Seventy-nine percent of KIT/new recipients found the application process "easy" to "very easy." Twenty-one percent of KIT/new recipients indicated that they had received help in filling out the application. Eighty-six percent of the recipients rate the assistance provided by the Kansas Industrial official who set up their contract as "very

good" to "excellent/superior." Seventy-five percent of KIT/expanding firms found the application process "easy" to "very easy." However, twenty-five percent stated that filling out the application "took a lot of time." Thirty-eight percent of the KIT/expanding firms stated that they had received assistance in filling out the application. Seventy-five percent of the recipients rated the assistance provided by the Kansas Industrial official who set up their contract as "very good" to "excellent." Finally, eighty-five percent of firms receiving KIR funds thought that the application process was "easy" to "very easy." Seventy-one percent of the firms rate the assistance provided by the Kansas Industrial official who set up their contract as "excellent/superior." Most firms stated that they would apply again: 100% of KIT/new, 94% of KIT/expanding, and 71 percent of KIR.

3. *Adequacy.* Overall, firms found KIT/KIR funds adequate to meet their training needs, as expressed by seventy-one percent of KIT/new recipients, sixty-nine percent of KIT/expanding, and all of KIR firms. However, KIR recipients were referring to the *total* funds dedicated to training, including their match. Most KIR recipients contributed more than the required 50 percent match, and forty-three percent stated that to some extent, it was difficult to meet the match requirement.

4. *Importance.* Half of all KIT/new grants played an important role in the firm's location decision. However, 64 percent of respondents indicated that they would have located their business in Kansas if KIT funds had not been available, while twenty-one percent stated that they would not have located in Kansas without KIT funds. On the other hand, forty-four percent of KIT/expanding firms stated that expansion in Kansas would have taken place without the grant. However, another 19 percent of KIT/expanding recipients indicated that the expansion of their business would have taken place, but it would not have been in Kansas. Finally, fourteen percent of KIR participants would not have trained their employees without KIR funds, and forty-three

percent stated that a significant portion of their employees would have been displaced without the training.

5. *Contributions.* Firms indicated that they contributed money and other resources for their training efforts: a) KIT/new—money (100%), materials/supplies (50%), and equipment (36%); b) KIT/expanding—money (100%), instructors (50%), and materials/supplies (31%); and c) KIR—all firms matched state funds, as required.

6. *Number of Kansans Trained.* The number of Kansans trained by firms were: a) KIT/new—an average of 83, with a range of 6 to 540 and a median of 29 per firm; b) KIT/expanding—an average of 100.6, with a range of 4 to 867 and a median of 32; and c) KIR—an average of 203 people, with a range of 38 to 500 and a median of 195. The disparity between the average and the median demonstrates that both large and small firms have received support through KIT/KIR.

7. *Loss of Trained Workers.* Fifty-eight percent of KIT/new firms had to lay off workers, and KIT trained workers were included. However, twenty-nine percent of those firms called their workers back. For KIT/expanding and KIR recipients, a smaller percentage of workers were laid off: 37 and 43 percent, respectively. KIT/KIR trained workers were among those laid off in 66 percent of firms receiving KIT/expanding funds and 33 percent of KIR firms. A number of workers have left for reasons other than lay offs, as indicated by 86 percent of KIT/new, 94 percent of KIT/expanding, and 71 percent of KIR firms. Most of their replacement workers have receiving equivalent training (KIT/new—50%, KIT/expanding—67%, and KIR—80%). Training for replacement workers was financed by the company or KIT/KIR (KIT/new—11% KIT, 89% company; KIT/expanding—9% KIT, 91% company; and KIR—50% KIR/KIT, 75% company).

8. *Training Provider.* Firms relied on several types of training providers: a) KIT/new—own company (100%), state universities (21%), and consultants (21%); b) KIT/expanding—own

company (81%), vocational technical schools (25%), and community colleges (12%); and c) KIR—own company (71%), vocational technical schools (57%), and consultants (43%).

9. *Nature of Training.* Most of KIT recipients—either new or expanding businesses—used the funds for industry-specific or general training. Few of the firms (14% of KIT/new and 25% of KIT/expanding) used the funds for company-specific training. On the other hand, forty-three percent of KIR firms used the funds for company-specific training.

Overall Findings

With respect to the research questions stated earlier, the following findings emerged:

1. *Role of KIT funds in affecting firm decisions to locate a business in Kansas and/or expand an existing Kansas business.*

The data regarding firm decisions to locate a business in Kansas present somewhat conflicting information. Twenty-one to thirty-five percent of firms would have located their businesses elsewhere if KIT funds had not been available. However, the availability of KIT funds made needed training possible for 72 percent of the firms which would have located in Kansas anyway. While 14 percent indicated that KIT funds were "somewhat" adequate, seventy-one percent of the participating firms found the funds were adequate in meeting their training needs.

For firms which decided to expand their existing Kansas business, twenty-five percent would not have expanded without KIT funds. Another 12 to 31 percent may have experienced some difficulty in their expansions without KIT funds. Without KIT funds, equivalent training would not have occurred in 25 percent of the firms and would have been delayed significantly in 19 percent. Sixty-nine percent stated that the funds were adequate in meeting their training needs. On the other hand, only six percent indicated that the funds were "somewhat" adequate.

2. *Role of KIR funds in affecting firm decisions to retain and retrain current workers when firms undergo significant restructuring.*

According to survey participants, a significant proportion—20 to 100 percent—of employees would have been dismissed rather than retrained in 43 percent of the participating firms if KIR funds had not been available. Without KIR funds, partial training—or no training at all—would have taken place in 57 percent of the firms. A significant delay in training would have occurred in another 29 percent of firms. Although virtually all firms stated that the combined KIR funds and company match were sufficient for covering the training, they also indicated that they exceeded the 50 percent match requirement. The majority of firms also indicated that they ended up doing more training than they had originally intended. Forty-three percent of the firms felt that the match requirement was a problem "to some extent."

3. *Extent to which the human capital of Kansas workers is enhanced by KIT/KIR funded programs.*

Human capital represents the knowledge, skills, and abilities (KSA) which are acquired through education, training, work experience, and life experience. Human capital enhances an individual's capabilities and, in turn, their worth or value in a particular area. General human capital refers to those KSA which are useful in a wide variety of work or life situations and enhances a person's value in general. Industry-specific human capital is those KSA which are useful in particular industry and enhances a person's value within a particular industry. The final human capital—company specific—is the most narrow of the three. It refers to those KSAs which are useful within the context of a specific company or organization. Because it enhances a person's value within an individual firm, it is generally not transferrable to another organization.

The data from the survey indicate that the skills which Kansans have acquired through KIT/KIR funded training appear to be, for the most part, industry-specific and general. While some

company-specific skills have been acquired, the vast majority of skills have been in company and industry-specific areas. These results show that the KIT/KIR program seems to be adding to the transferable human capital of Kansas workers.

Additionally, KIT/KIR training appears to have translated into increases in the median wages of workers, with the greatest gain seen by KIT/new trained workers (\$1.50/hour). KIT/expanding and KIR trained workers witnessed an increase of \$0.31 and \$0.59 per hour, respectively. These figures must be interpreted with considerable caution. For example, KIT/new employers are in

a start-up phase, and they usually pay lower wages until their employees produce and derive income for the firm, establishing it as a viable entity. KIR employees, on the other hand, may have faced layoffs due to obsolete skills. Respondents from the KIR sample were from the two most current fiscal periods, rather than three fiscal periods. Finally, expanding businesses are usually established and are already paying market rates, in accordance with their respective labor and product markets. In sum, the wages of workers trained in all three programs have, on average, increased. □

01/27/93

KANSAS DEPARTMENT OF COMMERCE & HOUSING
KIT/KIR Funding History

-1-

Fiscal Year	Companies	Trainees	Commerce	Education	Total	Cost/Trainee
FY73	1	57	16,512		16,512	290
FY74	5	164	42,708		42,708	260
FY75	5	288	99,799		99,799	347
FY76	7	463	97,734		97,734	211
FY77	1	70	41,796		41,796	597
FY78	6	268	84,638		84,638	316
FY79						
FY80	3	121	32,513		32,513	269
FY81	3	72	31,384		31,384	436
FY82	4	72	32,531	69,208	101,739	1,413
FY83	3	178	45,957	92,812	138,769	780
FY84	18	503	146,905	408,623	555,528	1,104
FY85	14	1,087	210,071	415,455	625,526	575
FY86	13	725	245,247	272,666	517,913	714
FY87	20	4,687	844,456	532,242	1,376,698	294
FY88	28	1,719	725,000	743,493	1,468,493	854
FY89	43	6,787	2,000,000	699,665	2,699,665	398
FY90	50	4,398	2,721,225	568,425	3,289,650	748
FY91	51	6,515	2,750,000	453,211	3,203,211	492
FY92	56	7,127	2,249,999		2,249,999	316
FY93 To Date	55	11,371	2,071,768		2,071,768	182
TOTALS	386	46,672	14,490,243	4,255,800	18,746,043	402

FUNDING SOURCE SINCE START OF LOTTERY

Fiscal Year	EDIF	SGF	Education
FY88	725,000		743,493
FY89	1,200,000	800,000*	699,665
FY90	2,750,000		568,425
FY91	2,750,000		453,211
FY92	2,250,000		
FY93	2,250,000		

*Supplemental Appropriation

SKILL

**State of Kansas
Investments in Lifelong Learning**

**Annual Report
October 1992**

**Kansas Department of Commerce & Housing
Bob Knight, Secretary**

PROGRAM OVERVIEW

Substitute for House Bill 2536 (K.S.A. 74-50, 102 et seq.) signed into law April 25, 1991, by Governor Finney created the State of Kansas Investments in Lifelong Learning (SKILL) program. The SKILL program allows employers to enter into agreements to establish training projects for new employees. Immediate training project costs are financed through tax exempt, public purpose bonds issued on an as needed basis by the Kansas Development Finance Authority (KDFA). These bonds are retired through the revenue received from the deferment of no more than one percent of statewide employer withholding taxes. The amount of financing that an employer is eligible for is limited to 90 percent of the withholding tax applied to the estimated gross wages of the jobs created by the employer as a result of the project over a ten year period.

Eligible industries include basic enterprises that are creating new jobs; excluding jobs of recalled workers, replacement workers, or jobs that formerly existed within the industry in Kansas. A Kansas basic industry is primarily one engaged in the development or production of services for out-of-state sale.

Authority to negotiate a training agreement with a business is delegated to state educational institutions. These include community colleges, area vocational-technical schools, regents schools and Washburn University. All agreements between business and educational entities are subject to the approval of the Kansas Department of Commerce and Housing (KDOCH) and the Governor's Council on Work Force Training.

FINANCE TEAM DEVELOPMENT

At the June 1991 KDFA board meeting, the law firm of Dorsey & Whitney was selected to provide bond counsel services for the program. The Dorsey firm had experience with the Iowa job training program. KDOCH and KDFA began shortly thereafter with assistance from bond counsel to draft the rules and regulations. The purpose behind drafting the rules and regulations was to explicitly identify the type of information required in employer training proposals and agreements, and to set guidelines for determining eligibility.

The rules and regulations were circulated to various businesses, educational institutions and the Governor's Council on Work Force Training. The reason for hiring bond counsel as the first member of the finance team was to get them started on the program documents, including rules and regulations.

In October of 1991, the KDFA board selected the underwriting firms of Piper Jaffray and Investment Bankers of Kansas City to serve as underwriters from the program. The underwriters assisted with the preparation of the rules and regulations and on the development of the bond documents.

BOND RATING TRIP

In order to make SKILL bonds more attractive to investors, members of the finance team agreed to pursue a rated bond through Moody's and Standard and Poors rating agencies. On April 30, 1992, presentations were made to both rating agencies in New York by representatives of the Kansas Department of Commerce and Housing, the Kansas Development Finance Authority, Dorsey and Whitney, Piper Jaffray Inc. and Investment Bankers of Kansas City, Inc. While Standard and Poors declined to rate SKILL bonds, Moody's agreed to give the first SKILL bond an "A" rating.

GOVERNOR'S COUNCIL ON WORK FORCE TRAINING

In July of 1991, the Governor created a new Governor's Council on Work Force Training, replacing the previous Council (Executive Order 91-135). Members include the Secretary of Commerce and Housing, the Secretary of Social and Rehabilitation Services, the Secretary of Revenue, the Secretary of Human Resources, the President of the Kansas Development Finance Authority, the Commissioner of Education, the Director of the Budget and the Secretary of Administration who serves as chair.

The first meeting of the Council was held on January 6, 1992. The Council was briefed on the Act and the draft of the proposed rules and regulations. The Council was also notified that the first employer to request the program would be Santa Fe Railway in Topeka. The second Council meeting was held in February at which time further comments on the rules and regulations were received. Subsequent meetings of the Council were held in the spring to receive comments on program documents, including agreement language for the first SKILL contract.

CERTIFICATION OF NEW JOBS

Under the SKILL act, The Secretary of Commerce and Housing is required to estimate, at least on a semi-annual basis, the number and wages of all new jobs that have been created in Kansas since the effective date of the act. Based on this data, the statute requires the Secretary to "determine and from time to time redetermine the rate at which moneys shall be credited to the SKILL program repayment fund . . . and the SKILL program services fund . . ." to satisfy bond repayment obligations and finance program costs (see K.S.A. 74-50,107). Both the new job and wage estimates and the related funding rate (called the "combined rate") must be certified to the Secretary of Revenue in order to trigger the funding mechanism.

At the January 6, 1992, meeting of the Council, an interagency committee was appointed to investigate alternative models for new job and wage estimation. The committee agreed that the most appropriate choice was to contract with Kansas State University for the service. Dr. Jarvin Emerson had already designed a new job and wage estimating model that, with minor modification, would satisfy SKILL program requirements. The results of the first certification are as follows:

- A.) Total new basic industry jobs created since the effective date of the SKILL act: 26,065
- B.) Total new wages: \$591,762,444
- C.) Combined rate: .025804

The combined rate is applied to daily withholding tax collections to determine the amount of money available to the program. Based on the first certification, the full one percent of withholding tax revenue allowable under statute could have been deferred for SKILL use.

RULES AND REGULATIONS

In order to meet the needs of the Santa Fe project, temporary rules and regulations were requested and were approved by the State Rules and Regulations Board on March 27, 1992. Permanent rules and regulations went into effect on September 8, 1992.

K.S.A. 74-50, 104 gives authority to the Secretary of Commerce and Housing to adopt rules and regulations "(1) prescribing review standards and priorities for approval of agreements under this act, including appropriate incentives for cooperation among projects, in order to maximize the number of new jobs created with respect to individual Kansas basic enterprises, which will remain in Kansas, and (2) prescribing limits on program costs and on project and program size in relation to the number of new jobs created or the wages of new jobs created."

The regulations establish review standards and limits on program costs and clarify the enforcement responsibilities of the Secretary of Commerce and Housing:

K.A.R. 110-4-1 defines terms used in the regulations and clarifies statutory terms for the purpose of administering the SKILL program.

K.A.R. 110-4-2 establishes review standards and priorities for the approval of proposed agreements and places limits on individual project costs and size. The language of this article lists the information required by the Department of Commerce and Housing in order to initiate the review procedure. The article identifies ten factors that will be used to determine whether a project should be funded and the amount of such funding.

K.A.R. 110-4-3 clarifies that statutorily imposed maximum funding restrictions for the SKILL program does not limit the amount of project costs that can be paid from non-SKILL sources.

K.A.R. 110-4-4 clarifies the enforcement responsibilities of the Secretary of Commerce and Housing with respect to individual agreements.

THE FIRST SKILL PROJECT

On June 5, 1992, the Governor's Council on Work Force Training approved the first SKILL agreement with The Atchison, Topeka and Santa Fe Railway Company and the Kaw Area Technical School. The project commits \$2,306,559 in training funds from the SKILL program. The total cost of the project is \$7.8 million; Santa Fe will underwrite \$4 million, and the Kaw Area Technical School will give nearly \$1.5 million in in-kind contributions. On July 27, 1992, Governor Finney handed Richard McWhorter, General Director of the Kaw Area Technical School, a check for \$1,058,000 which represented the first installment on the training project.

The Santa Fe Topeka shops' employees are presently involved in the maintenance and repair of all types of freight car equipment. The shops employed 465 people at the beginning of 1992. The relocation of all heavy locomotive repair work from San Bernardino, California will add 335 technician and supervisory jobs to that total.

The new jobs are being filled by a combination of local applicants and transfers. The work is highly skilled and well compensated. The average wage over ten years for the 310 technician jobs is estimated to be \$39,431. The average wage of the 25 supervisory jobs is estimated to be \$62,244. The annual payroll for the technicians and supervisors is in excess of \$10 million, and the economic impact on the Topeka community is expected to be \$52 million per year.

SKILL funds are being used to purchase a locomotive engine, welding equipment and electronics laboratory equipment for the Kaw Area Technical School. Three rooms at the school are being converted into a railroad repair training center. Existing Kaw facilities and current school programs in computer operations, electricity/electronics, human resource management and welding are also being utilized.

FUTURE PROJECTS

Workforce training program staff and members of the finance team are currently working on a second SKILL contract. The project involves the Kansas City, Kansas Community College and Millard Refrigerated Services. Millard is completing construction of a 400,000 sq. ft. refrigerated warehouse in Edwardsville which will employ 429 individuals. Project costs are expected to exceed \$1 million.

The Industrial Development Division of the Kansas Department of Commerce and Housing developed a Workforce Training brochure outlining the Kansas Industrial Training and Retraining (KIT & KIR) programs as well as the SKILL program. The brochure is being used as a part of the Division's marketing efforts to attract new industry to the state. These efforts included the successful location of the Millard refrigerated warehouse. It is expected that the SKILL program will allow Kansas to be increasingly competitive in the attraction of new industry to the state and will increase the capacity of the state's educational infrastructure to respond the training needs of both new and existing industry.

KANSAS



Workforce

Training

Values & Vision

Industrial

Development

Division



workers have always taken a frontier attitude to the task at hand — do it now and do it well.

"Prior to getting involved with the training program, our scrap costs were running about \$60,000 a month. Since that time, our business has increased almost fifty percent and yet we have a net reduction in scrap costs of forty-four percent. We think this is directly attributable to the Kansas Industrial Training Program."

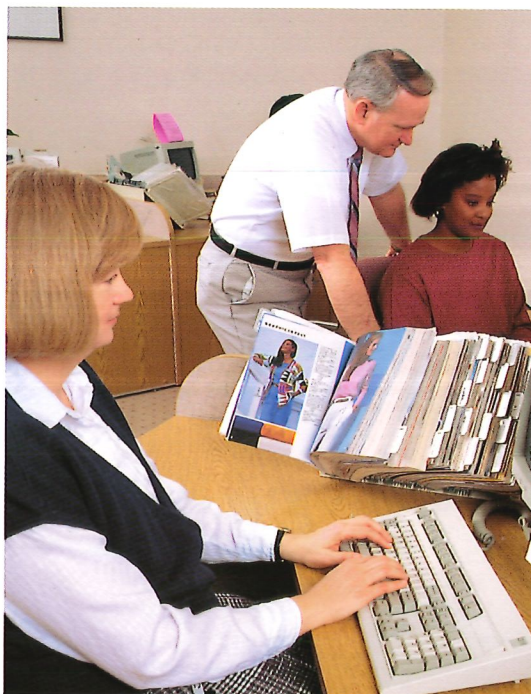
Buddy Baker
Employee Relations Manager
Midland Brake
(division of Echlin Corp.)
Iola, KS

Perhaps the single most important benefit Kansas can offer a company new to the state is our stable, highly productive workforce. Many of these motivated workers already have the training necessary to contribute immediately to their employer's profitability. For those who might lack the skills appropriate to an employer's needs, the Kansas Department of Commerce — in conjunction with the

Kansas Industrial Training Program — KIT

The specialized training needs of new and expanding companies come under the comprehensive sweep of the Kansas Industrial Training (KIT) program. Its hallmarks are flexibility and ease of use.

- The Kansas Industrial Training Program works primarily with manufacturing, distribution and regional or national service firms in the process of adding five or more new jobs to a new or existing Kansas facility.
- State vocational training specialists work closely with company representatives to conduct a needs assessment and analyze initial production schedules. Each training program is geared to the company's own specifications.
- KIT then mobilizes the educational resources appropriate to giving prospective employees the detailed knowledge and precise skills necessary for each job. This training comes in three general contexts, which may be used individually or combined in a battery of ongoing training programs.



Kansas State Department of Education, the Kansas Department of Human Resources, and other state agencies — has created a comprehensive program of governmentally-funded training available in customized applications for companies locating new facilities in Kansas or expanding existing facilities. The Kansas Department of Commerce packages federal and state dollars in a streamlined process designed to cut red tape, minimize paperwork and respond quickly to the training needs of Kansas employers.

1. **Pre-Employment Training.** Trainees usually attend classes on their own time and without pay. The training period affords the company and the prospective employees time to evaluate each other before making any employment commitments.
 2. **On-The-Job Training.** After hiring, trainees receive instruction on the company's own production equipment in the work environment.
 3. **Classroom Training.** Depending on a company's wishes, classroom courses can be designed to address safety or data processing or virtually any other topic of value to the company's productivity. These classes may use production equipment or similar machinery to accelerate and solidify the learning process.
- The logistics of KIT are as flexible as the training itself. Qualified instructors, for example, may come from the company's production supervisory staff, from Kansas area vocational-technical schools or community colleges, from vendors or consultants, or even other sources. The training might be offered in area vo-tech schools or local colleges, in temporary rental facilities, or in the company's plant. The company is free to develop its own hiring specifications and to make the final selection of the trainees. The Kansas Department of Human Resources is ready, however, to assist the company in recruiting, testing and screening potential trainees.
 - Company officials and state and local agency personnel supervise training activities in partnership. These supervisors can make adjustments to the training process as necessary and, upon the program's completion, will evaluate its success. The Kansas Department of Commerce pays the negotiated cost for all KIT training. Typically, these costs can include:
 - Instructor salaries
 - Travel expenses
 - Video tape development
 - Training manuals and textbooks
 - Supplies and materials
 - Minor equipment
 - Curriculum planning and development

State of Kansas Investments in Lifelong Learning Program — SKILL

The quality of a state's workforce is dependent to a large degree on investments made in human capital. The State of Kansas Investments in Lifelong Learning (SKILL) program represents a dramatic investment in the skills of the people of Kansas.

The SKILL program allows employers to enter into agreements to establish training projects for new employees. Immediate training project costs are financed through tax exempt, public purpose bonds issued on an as needed basis by the Kansas Development Finance Authority. These bonds are retired through the revenue received from the deferment of no more than 1% of statewide employer withholding taxes. Bond size may not exceed 90% of the withholding taxes of the new jobs created by a project over a ten year period. Training for individuals may last for up to 3 years.

Eligible industries include basic enterprises that are creating new jobs; excluding the jobs of recalled workers, replacement workers, or jobs that formally existed within the industry in Kansas. Kansas basic industry includes manufacturing, distribution, regional or national service facilities and other business concerns primarily engaged in the development or production of goods or the provision of services for out-of-state sale.

Businesses jointly submit proposals with state educational institutions. These institutions include community colleges, area vocational-technical schools, regents schools, and a municipal university. All agreements between businesses and educational entities are subject to the approval of the Kansas Department of Commerce and the Governor's Council on Workforce Training. The Department of Commerce will coordinate the SKILL program with other job training programs administered by the agency to avoid duplication.

The SKILL program may be utilized by individual businesses or consortiums of companies adding new jobs. Training funds generated through this program may augment other training funds designated for a given program or project.

SKILL funds may be used to pay for:

- Instructor salaries
- Travel expenses
- Video tape development
- Training manuals and textbooks
- Supplies and materials
- Curriculum planning and development

In addition, up to 50% of a project's costs may be used to lease or purchase training equipment for local educational institutions.

The SKILL program has significant capacity to respond to projects with large numbers of trainees, clusters of companies with similar training needs, and projects involving highly skilled occupations.

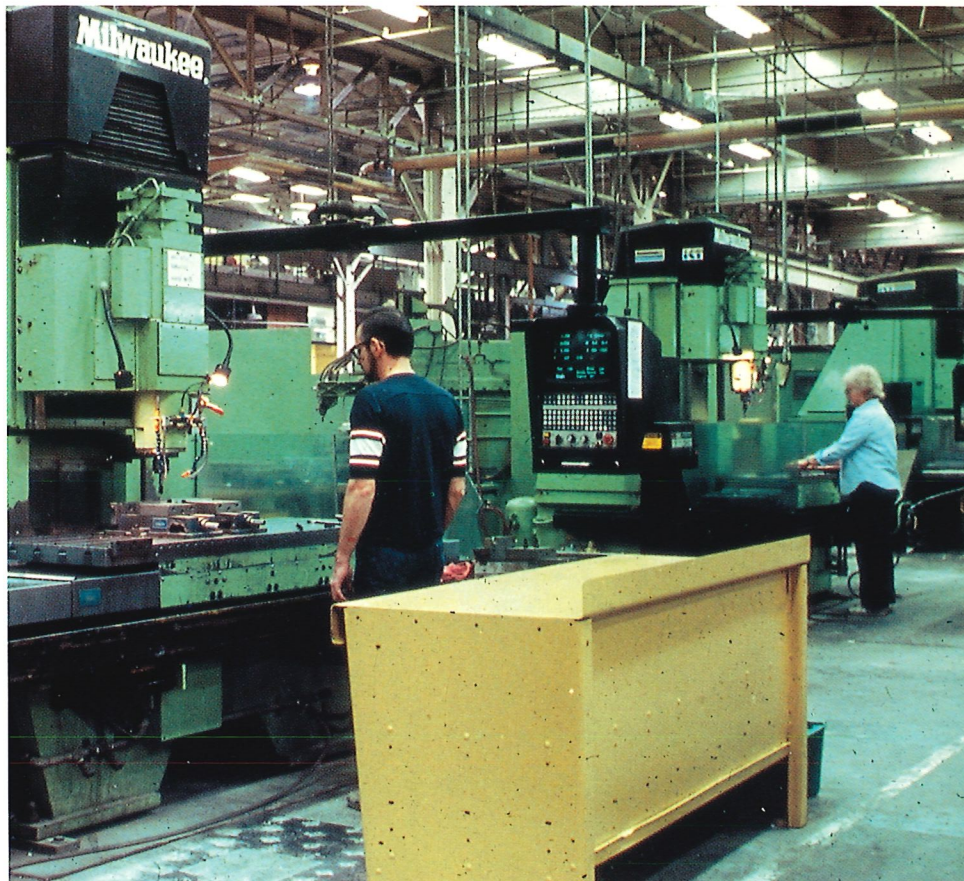


Values & Vision

KANSAS DEPARTMENT OF COMMERCE

Industrial Development Division

400 S.W. 8th Street, 5th Floor/ Topeka, Kansas 66603-3957
(913) 296-3483 / FAX (913) 296-3490



Kansas Training Institutions



Area Vocational Technical Schools

1. Northeast Kansas AVTS — Atchison
2. North Central KS AVTS — Beloit, Hays
3. Cowley Co. AVTS — Arkansas City
4. Southeast Kansas AVTS — Coffeyville, Columbus
5. Southwest Kansas AVTS — Dodge City
6. Flint Hills AVTS — Emporia
7. Northwest Kansas AVTS — Goodland
8. Central Kansas AVTS — Hutchinson, Newton, McPherson
9. Salina AVTS — Salina
10. Kaw AVTS — Topeka
11. Manhattan AVTS — Manhattan
12. Wichita AVTS — Wichita
13. Liberal AVTS — Liberal
14. Kansas City AVTS — Kansas City
15. Pratt AVTS — Pratt
16. Johnson County AVTS — Olathe

Community Colleges

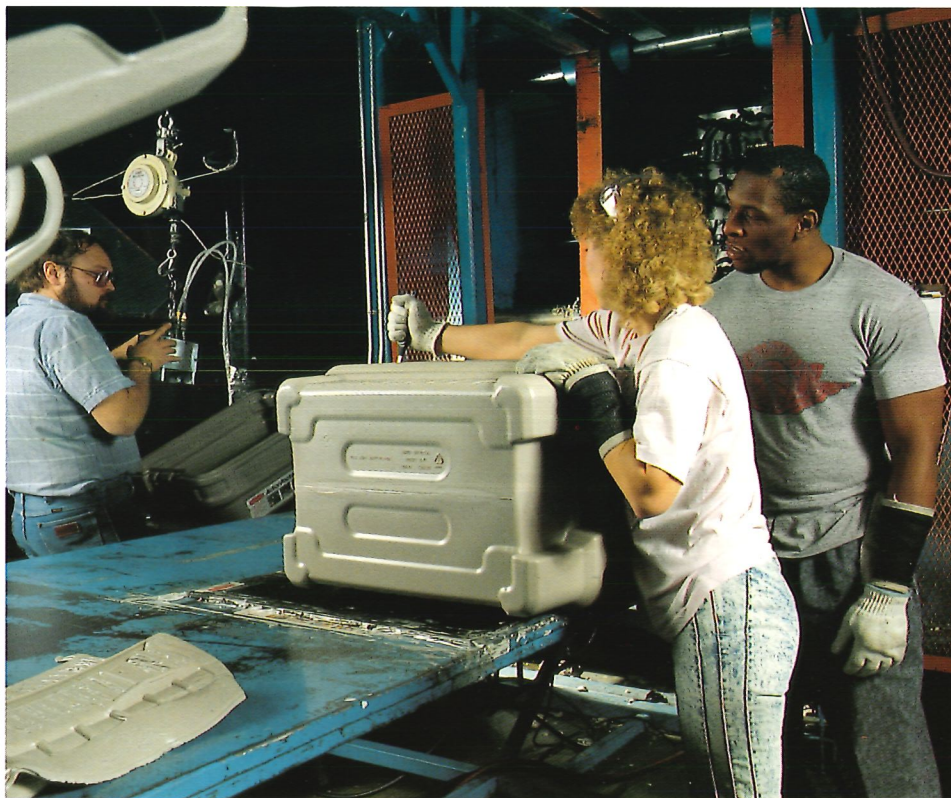
17. Allen Co. C.C. — Iola
18. Barton Co. C.C. — Great Bend
19. Butler Co. C.C. — El Dorado
20. Cloud Co. C.C. — Concordia
21. Coffeyville C.C. — Coffeyville
22. Colby C.C. — Colby
23. Cowley Co. C.C. — Arkansas City
24. Dodge City C.C. — Dodge City
25. Ft. Scott C.C. — Ft. Scott
26. Garden City C.C. — Garden City
27. Highland C.C. — Highland
28. Hutchinson C.C. — Hutchinson
29. Independence C.C. — Independence
30. Johnson Co. C.C. — Overland Park
31. Kansas City C.C. — Kansas City
32. Labette Co. C.C. — Parsons
33. Neosho Co. C.C. — Chanute
34. Pratt Co. C.C. — Pratt
35. Seward Co. C.C. — Liberal

Regents Institutions

36. Emporia State University — Emporia
37. Fort Hays State University — Hays
38. Kansas State University — Manhattan, Salina
39. Pittsburg State University — Pittsburg
40. University of Kansas — Lawrence
41. Wichita State University — Wichita

Municipal University

42. Washburn University — Topeka



Kansas Job Training Partnership Act — JTPA

The Job Training Partnership Act (JTPA) forges a partnership between the public and private sectors to conduct job training programs. It enlists business leaders and representatives of labor, education, rehabilitation and non-profit community groups in finding the best way to use public funds for the greatest local benefit. In Kansas, the state's Department of Human Resources administers the program through five Private Industry Councils (PICs).

- While Kansas JTPA has been designed to meet the specific labor skill needs of Kansas employers, it is targeted toward the service of economically

disadvantaged workers, dislocated workers and workers facing severe barriers to employment. In this regard, each PIC certifies the eligibility of potential trainees, but the company retains full control over the interviewing and hiring process.

- JTPA funds may be used to pay for skill training either in the classroom or in the workplace. JTPA can offer employers a reimbursement of up to 50 percent of the employee's wages during the training period. JTPA may be used together with the KIT or SKILL programs to develop job training sufficient in depth and scope to meet the needs of any new or expanding Kansas business.

Kansas Industrial Retraining Program — KIR

The Kansas Industrial Retraining (KIR) program assists employees of restructuring industries, those people likely to be displaced because of obsolete or inadequate job skills and knowledge. KIR training occurs on a shared cost basis with industry. Eligible

industries include those restructuring their operations through incorporation of existing technology, development and incorporation of new technology, diversification of production or the development and implementation of new production activities.

State Training Institutions

Kansas' economic development efforts have significant allies in the state's sixteen area vocational-technical schools, its nineteen community colleges, and its seven universities. For example, community colleges and vo-tech schools delivered over 2.75 million hours of training in the 1989-90 academic year, serving 65,341 employees of 1,291 different businesses. The wide-ranging course offerings of these forty-two institutions — and the individual expertise of their faculty members — can be rallied for the specialized requirements of a business or industry or called upon in any KIT or KIR program.

- **Area Vocational-Technical Schools (AVTSs)** were created specifically to provide occupational training for secondary, post-secondary and adult students. Many programs are available on a semester-oriented, credit-bearing basis for secondary students. AVTSs impact business and industry most directly, though, in the varied, short-term programs they offer to adults seeking competency-based, proficiency-oriented instruction pertinent to the skill standards and evaluation measures of individual employers. Kansas AVTSs react promptly to requests for industry-specific training.
- **Community Colleges** in Kansas have assumed broad responsibilities in vocational training. In fact, a full third of all Kansas community college students are enrolled in vocational programs. The colleges represent powerful resources for local business and industry, both in their standard curriculum and in their adaptability to specialized training needs. Many of the colleges offer instruction in Statistical Process Control (SPC). In particular, Total Quality Management training

programs bring management and employees together in a team effort to meet consumer demands for higher and more consistent standards of quality.

“*One of the reasons we're looking at Kansas is that Kansas has one of the best industrial training programs in the country.***”**

- **Regents Institutions** play a key role in the economic development of Kansas, each filling an important niche in the programs of research and continuing education of most value to industry in the state. The six regents universities graduate about 10,000 bachelor's, 3,000 master's, and 350 doctoral candidates each year. Besides teaching, the faculty excel in research and development: In 1990, university researchers reaped more than \$50 million in sponsored contracts and consulted for a variety of corporations throughout the country.
- **Washburn University**, founded in 1865, is the last municipal university in the nation. Located in the capital city, Washburn serves businesses in Topeka primarily through its schools of applied science and business.

Catherine Bradley
Research and Analysis
Fluor Daniel
Greenville, SC