

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Bob Mead at 3:30 p.m.. on February 15, 1994 in Room 423-S of the Capitol.

All members were present except:

Representative George Dean, excused
Representative Rocky Nichols, excused
Representative Greg Packer, excused

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

Conferees appearing before the committee:

Representative Jack Wempe
Representative John Toplikar

Others attending: See attached list

Chairman Mead reported to the committee that with the emphasis this year on prioritizing recommended expenditures from the EDIF funds, and in response to a request from the Chair of Appropriations, it was felt appropriate for the Economic Development Committee to make a prioritized list of recommended expenditures from the EDIF fund. With this thought in mind, Chairman Mead appointed a sub-committee composed of: Rep. Mason, Chair; Rep. Lahti, Rep. Boston, Rep. Dean and Rep. Donovan to make such a list and report back to the full committee on Wednesday, February 23rd with this list. Upon approval of the full committee, these recommendations will be presented to the Chair of Appropriations and the appropriate sub-committees who deal with the EDIF monies.

The Chair then opened hearings on **HB 2966**, dissemination of information concerning economic development programs, and called on Rep. Wempe as the first conferee.

Representative Wempe stated HB 2966 adds a paragraph to the mission of the Department of Commerce and asks the Department to aggressively pursue the dissemination of information about its programs. He concluded that neither the legislature nor the Department of Commerce can do all that needs to be done so it is important to inform and enlist people across the state in the work of maintaining and improving our economy. (Attachment 1)

Representative Toplikar told the committee he co-sponsored HB 2966 because of the concerns of the people he met during Blue Highways that they do not know of programs which the state offers which might be of benefit to them. He concluded this bill would accomplish this and was a simple idea to help economic development in the state.

There being no other conferees, the Chair closed hearings on HB 2966.

The Chair then called for discussion and final action on the bill. Representative VanFleet stated he would like specific names of people who were not aware of the programs available through the Department and Representative Toplikar will furnish this information.

Representative Wempe presented a balloon to HB 2966, Section 1, subsection a, which calls for implementing all facets of a comprehensive, long-term, economic development strategy and for coordinating the efforts of both state agencies and local economic development groups as they relate to that objective and made a motion to pass HB 2966 as amended. (Attachment 2) Representative Haulmark seconded the motion and the motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, Room 423-S
Statehouse, at 3:30 p.m. on February 15, 1994.

The Chair called attention to some hand-outs which had been requested by committee regarding the SKILL and KIT/KIR programs. (Attachments 3 and 4)

Chairman Mead reminded the committee of the BioCore, Inc. tour on Wednesday, February 16th with the bus leaving at 3:15 p.m.

The meeting was adjourned at 4:45 p.m.

The next meeting is scheduled for February 17, 1994.

GUEST LIST

COMMITTEE: Economic Development DATE: 2-15-94

[illegible]

February 15, 1994

Testimony
By Representative Jack Wempe
H.B. 2966

Chairman Mead & Members of the Committee

H.B. 2966 adds a paragraph to the mission of the Department of Commerce. It asks the Department to aggressively pursue the dissemination of information about its programs.

In no way do I want to fault the Department for the work they do. I have worked closely for many years with the Department and appreciate the efforts made by those who staff the agency.

But I do have the desire to nudge them in the direction of more coordination with local agencies and a more effective means of communicating with people across the state. A consistent comment during the "Blue Highways" meetings this past year was the expression of a lack of knowledge about state programs.

We must understand that legislators, nor agencies, nor professional economic developers really "do" economic development. That is the role of business people, banks, real estate professionals and others in the private sector. Our role is to encourage and assist.

The efforts of an individual or an agency can be magnified by enlisting the talents of others. Neither the legislature nor the agency can do all that needs done. Therefore we must inform and enlist people across the state in the work of maintaining and improving our economy.

I will be happy to stand for questions.

*Economic Development
February 15, 1994
Attachment 1*

HOUSE BILL No. 2966

By Representatives Toplikar and Wempe

2-4

8 AN ACT concerning the department of commerce and housing; re-
9 relating to dissemination of information concerning economic de-
10 velopment programs; amending K.S.A. 74-5005 and repealing the
11 existing section.
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 74-5005 is hereby amended to read as follows:
15 74-5005. The department shall be the lead agency of the state for
16 economic development of commerce through the promotion of busi-
17 ness, industry, trade and tourism within the state. In general, but
18 not by way of limitation, the department shall have, exercise and
19 perform the following powers and duties:

20 (a) To assume central responsibility to implement and coordinate
21 within state government all facets of a comprehensive long term
22 economic development strategy;

23 (b) to coordinate the implementation of the strategy with all other
24 state and local agencies and offices and state educational institutions
25 which do research work, develop materials and programs, gather
26 statistics, or which perform functions related to economic develop-
27 ment; and such state and local agencies and offices and state edu-
28 cational institutions shall advise and cooperate with the department
29 in the planning and accomplishment of the purposes of this act;

30 (c) to advise and cooperate with all federal departments, research
31 institutions, educational institutions and agencies, quasi-public pro-
32 fessional societies, private business and agricultural organizations and
33 associations, and any other party, public or private, and to call upon
34 such parties for consultation, and assistance in their respective fields
35 of interest, to the end that all up to date available technical advice,
36 information and assistance be gathered for the use of the department,
37 the governor, the legislature, and the people of this state;

38 (d) to enter into agreements necessary to carry out the purposes
39 of this act;

40 (e) to conduct an effective business information service, keeping
41 up to date information on such things as manufacturing industries,
42 labor supply and economic trends in employment, income, savings
43 and purchasing power within the state, utilizing the services and

for implementing all facets of a comprehensive,
long-term, economic development strategy and
for coordinating the efforts of both state agencies
and local economic development groups as they
relate to that objective

*Economic Development
February 15
Attachment 2*

SKILL

State of Kansas Investments in Lifelong Learning

*Annual Report
October 1993*

Kansas Department of Commerce & Housing

*Joan Finney, Governor
Bob Knight, Secretary*

*Economic Development
February 15, 1994
Attachment 3*

Introduction

On July 27, 1992, Governor Joan Finney handed the General Director of the Kaw Area Technical School, a check for \$1,058,000. The check represented the first installment on a \$2.3 million training project for The Atchison, Topeka, and Santa Fe Railway Company (Santa Fe). As the inaugural State of Kansas Investments in Lifelong Learning (SKILL) project, the Santa Fe partnership represents the largest investment of state funds in a single training project in Kansas' history. The Santa Fe project was followed by five new projects in FY 1993 totaling \$4,177,072 which is being utilized to train 1,467 new jobs. To date in FY 1994, one project has been funded to train 957 new employees at a cost of \$1,722,244. This annual report provides individual abstracts highlighting the Santa Fe project and the six other projects funded to date.

SKILL Program Overview

Determination of Potential Funding

The SKILL program may be utilized by individual businesses or consortiums of companies adding new jobs. Like the Kansas Industrial Training (KIT) program, SKILL is intended to help companies offset the costs of training employees for new jobs. However, the fundamental difference between the two programs can be summed up in one word - capacity. This increased capacity allows firms to deliver more than basic technical skill training to their new employees. It can be an important tool in the creation of high performance work organizations.

The amount of funding a company may receive is directly proportional to the number and average wages of the new employees to be trained under the project. Stated differently, as the number of new jobs and related taxable wage scale increases, so does the potential size of the training grant. Consider the following comparison:

SKILL Potential Funding Comparison

Scenario One:

250 new jobs @ \$31,200 (10 year average wage)

Potential Training Funds: \$1.2 million*

Scenario Two:

50 new jobs @ \$10,400 (10 year average wage)

Potential Training Funds: \$50,000*

*Based on SKILL bond financing costs of 25% of the total project and a market interest rate of 5.2%.

Scenario One serves as an excellent illustration of a project where SKILL would clearly be the most appropriate funding source. The example illustrated in Scenario Two, however, would

most likely be funded under the Kansas Industrial Training program, which is designed for small and medium projects.

Financing Method

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. Individual bond size may not exceed 90% of the withholding taxes received from the new jobs created by a project over a ten year period.

Proposal Preparation and Review Process

After the maximum amount of funds available for a project is determined, the company and a Kansas public educational institution must develop a joint training proposal for submission to the Kansas Department of Commerce & Housing (KDOC&H). These institutions include community colleges, area vocational-technical schools, regents schools, and a municipal university.

Once a training proposal has been received, KDOC&H staff reviews the proposal for content and clarity, recommends an appropriate level of funding to the Governor's Council on Work Force Training, and makes final preparations for presentation of the proposal to the Council. All proposed agreements are subject to the final approval of the Council. KDOC&H's funding recommendation is made, after consultation with the company and the educational institution, on the basis of the level of training required, and other factors such as the overall efficiency of the project and the quality of the jobs created.

Use of Training Funds

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. Up to 10% of the training funds may be used to cover the administrative costs of the educational institution.

Eligibility Requirements

Eligible industries include basic enterprises that are creating new jobs; excluding the jobs of recalled workers, replacement workers, or jobs that formerly 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.

Pay Back Provision

As noted above, the amount of assistance a company qualifies for is directly tied to the number of new jobs created and the taxable wages of those jobs over ten years. If the company is unable to create jobs in sufficient numbers to generate withholding tax revenue according to their annual projections, it may be required to repay a portion of the training funds on a shared basis with the state. If the company leaves the state before the bonds are retired, the full cost must be repaid less any withholding tax contributions collected prior to departure.

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

Project Abstracts

To date, a total of \$8,205,915 in SKILL training funds have been committed to train 2,759 new employees under seven projects. The composite average wage of these new jobs is \$9.67, excluding benefits. Aggregate per trainee cost for all projects is \$2,974. The following table shows project specific performance data:

SKILL Project Summary Table						
<u>Fiscal Year</u>	<u>Company Name</u>	<u>Location</u>	<u>New Jobs</u>	<u>Average Wage (\$)</u>	<u>Training Funds (\$)</u>	<u>Financing Costs (\$)*</u>
1992	Santa Fe	Topeka	335	15.90	2,306,599	775,795
	FY92 Totals		335	15.90	2,306,599	775,795
1993	Millard	Edwardsville	429	7.78	1,024,899	351,007
	Hyplains Beef	Dodge City	501	7.65	1,000,297	348,827
	Santa Fe	Topeka	285	16.25	1,360,484	348,826
	NSC	Edwardsville	130	9.38	299,942	_____
	Hill's	Topeka	122	11.03	491,450	_____
	FY93 Totals		1,467	10.42	4,177,072	1,038,660
1994	Multimedia	Wichita	957	7.30	1,722,244	566,173
	FY94 Totals (to date)		957	7.30	1,722,244	566,173
	Grand Totals		2,759	\$9.67	\$8,205,915	\$2,390,628

* Estimated cost over 10 years to pay debt service on training bonds

The Atchison, Topeka and Santa Fe Railway Company is one of the nation's major railroads operating approximately 9,639 route miles of main track extending from Lake Michigan to the Gulf of Mexico and the Pacific coast ports of San Francisco, Los Angeles, and San Diego. The company operates 1,757 locomotives, and 33,061 freight cars transporting coal, lumber, automobiles, grain, chemicals, appliances, inter-modal traffic, and general merchandise.

The objective of the project is to relocate all locomotive repair work from San Bernardino, California to Topeka, Kansas. As shown in the table above, the State of Kansas will reap 335 new jobs from this project. Annual payroll attributable to the project is expected to exceed \$10 million and the annual economic impact on the community is estimated to be \$52 million annually.

More specifically, the 335 jobs are comprised of 120 machinists who maintain and repair diesel engines, wheels, and air brake equipment; 120 electricians who maintain and repair electric and electronic components; and 70 craftsman responsible for the repair of cabs, air conditioners, upholstery, wooden components, and the painting of locomotives. The remaining 25 jobs are comprised of supervisors who oversee locomotive repair operations. Kaw Area Technical School instructors are teaming with company experts to provide the required training for the employees. Examples of skills to be imparted to the employees include locomotive electrical systems instruction, quality assurance instruction, locomotive diesel engine mechanics training, locomotive air brake repair, computer skills training, arc welding instruction, and team building and problem solving skill instruction.

As of this writing, all of the required 335 jobs have been created, and the company is well ahead of schedule in terms of the creation of withholding taxes. Total cost of the training project is \$7,787,908. Santa Fe is contributing \$4,030,024 of the total, the Kaw Area Technical School is contributing \$1,451,325, and the State of Kansas is contributing \$2,306,559 in SKILL funds. The training began in May, 1992 and will be completed in March, 1996.

Millard Refrigerated Services currently owns and operates 16 refrigerated facilities in 8 states with a total capacity of 45,129,355 cubic feet of refrigerated space. The new Edwardsville facility was established as a result of the recruitment efforts of KDOC&H Industrial Development staff. Company officials indicate that the SKILL program played a key role in their decision to locate the new 429 employee operation in Kansas.

The new refrigerated warehouse is a "state-of-the-art" facility that integrates some of the newest technology available to the industry into the facility design. Examples of the facility's leading edge design include: customer linked computer system for inventory/distribution, computer scanning/tracking, refrigeration equipment, and emphasis on quality training for quality customer service.

Starting hourly wages under the project range from \$7.00 to \$9.00 per hour for 420 employees. The remaining nine employees receive an annual salary ranging from \$24,500 to

\$65,000 per year. New employees are receiving position-specific training in accordance with curricula developed by the Kansas City Kansas Community College Business and Industry Training Assistance Center and company officials. Examples of the skills to be trained include computer systems and scanner training, customer service training, hazardous spill response training, and Ammonia Refrigeration systems training.

At present, the company is slightly ahead of its projected hiring schedule. In addition, Millard's withholding tax contributions are right on schedule.

Hyplains Beef L.C. is a cattle slaughter operation based in Dodge City, Kansas. Carcass beef, the primary product of the slaughter operation is sold to fabricators and retailers throughout the United States. By-products such as hides, variety meats, and offals are sold in domestic and international markets.

Over the past fifteen years, most beef packers have shifted to the on-site fabrication of carcasses in response to customer requirements. The introduction of "boxed beef," which consists of vacuum packaged, trimmed cuts of beef eliminated the need for carcass processing at the retail level and significantly increased product shelf life. Currently, boxed beef accounts for 85% of all beef retail and food service purchases. In order to respond to these new industry requirements, Hyplains constructed a boxed beef fabrication facility. Five-hundred and one new jobs will be created as a result of the expansion over the next year.

Hyplains Beef was awarded \$1,000,297 in SKILL funding to train these new employees. The project is designed to train employees in forty-three different job classifications ranging from production workers such as beef boners and trimmers to supervisory and management personnel. Specifically, Dodge City Community College staff in partnership company trainers are providing instruction in OSHA standards, product handling procedures, work place safety, customer service, teamwork, and Statistical Process Control.

Instruction in the use of computers and related software will be provided for those employees that require such training. In addition to job specific instruction, the new hires will become proficient in the use of databases, spreadsheets, and word processing applications. Supervisory and management personnel are receiving training in the proper handling of various medical emergencies, and extensive on-the-job training.

A unique feature of the program, called "Living Skills Training", is specifically designed for as many as 40 percent of the new hires that are expected to be of Hispanic origin with limited English language skills. Basic communication skills, self confidence, personal finance, local laws and regulations, and other skills these employees will need to successfully adapt to a new job an culture will be provided through this component.

Since the start of the project in July, the company has already created 411 new jobs and generated over \$26,000 in withholding taxes.

The Atchison, Topeka and Santa Fe Railway Company's second SKILL contract involves the relocation of 285 jobs from Texas, New Mexico, and California to Kansas. The objective of this project is to consolidate Santa Fe's customer quality, crew management, and systems support functions in Topeka. Total project cost is \$3,153,110. Santa Fe is contributing \$643,000 of the total, the Kaw Area Technical School is donating \$1,233,626 in in-kind contributions, and the remaining \$1,360,484 represent SKILL program funds.

The Customer Quality and Support Team provides 24 hour, 7 days a week customer service which includes: railroad freight switching service, notification of arrivals, maintaining inventory, and interchange with other railroads. Crew Management staff operates around the clock to schedule and manage over 6,000 train, engine, and yard employees at 100 locations across the system. Systems support employees are responsible for track maintenance scheduling and record keeping, personnel record keeping, bill paying, initiating service contracts, billing and contracting for the services of other railroads, and all aspects of acquiring, scheduling, and maintaining all rail and road equipment system-wide.

Examples of specific skills to be imparted include computer, human resource, communication, total quality management, and on-the-job skill training. A significant portion of the human resource and communication skills training utilizes programs designed by Zenger-Miller. The programs consist of modules that have been developed to promote improved working relations, enhanced leadership skills, and team action in the organization.

To date, 263 of the expected total of 285 jobs have been created. In addition, the company is well ahead of schedule in terms of the creation of withholding taxes. The training project began in March, 1993 and will be completed in December, 1996.

National Service Center, Inc. is a newly formed company that has contracted with Dorskocil Companies, Inc. to provide order entry, customer service, and distribution services for its various food products. As a tenant of Millard Refrigerated Services, National Service Center operates 3.75 million cubic feet of cold storage.

The 130 employee operation handles several categories of foods such as various hams, bacon, frankfurters, sausage, and fresh pork. All of the products are either refrigerated or frozen. These products are shipped to the company from manufacturing facilities located throughout the central and eastern United States. National Service Center ships products to customers throughout the United States, Mexico, and the Pacific Rim countries including Japan.

Some of the skills training under the contract include instruction in OSHA regulations, safety, hazardous spill response, computer skills, customer delivery satisfaction, participative management, and scanning. The total cost of the training project is \$506,653. National Service Center is underwriting \$206,711 of the total, and the remaining \$299,942 is being funded through the SKILL program.

Because the training plans for National Service Center and Millard Refrigerated Services shares many similar features, Kansas City Kansas Community College officials were able to produce cost savings for the state by the sharing of training facilities, equipment, and consolidated courses that simultaneously serve employees from both companies. The training project began on February 1, 1993 and will be completed by December 31, 1995.

Hill's Pet Nutrition, Inc. manufactures specialty pet foods. The company's Prescription Diet and Science Diet pet foods lead this growing category nationally and is expanding rapidly internationally. Headquartered in Topeka, Hill's has been operating eight autonomous call centers throughout the country since 1987. These call centers process orders for over 30,000 veterinary clinics and pet shops nationwide.

The objective of the project is to consolidate the call centers and the financial operations to support them into one Teleservices Center in Topeka. Facility employment is expected to peak at 122 by January of 1995. The new center utilizes leading edge order processing technology, including a computer driven customer database, conversant call system, and a high speed 800 fax number.

Kaw Area Technical School Instructors and company trainers are administering the training in such areas as advanced computer systems, phone management, call center management, team skills, and computer software training on various applications. Total project cost over the three year training period is \$1,145,861. Hill's is contributing \$641,211 of the total, the Kaw Area Technical School's donation is \$13,200 in-kind, and the remainder of \$491,450 is financed through the SKILL program.

Currently, 110 of the expected 122 jobs have been created. Withholding tax data is not yet available as of this writing. The training project began in May, 1993 and will be completed in June of 1996.

Multimedia Security Service, Inc. began in 1982 as an ancillary revenue stream for Multimedia Cablevision. Multimedia Cablevision's expertise at wiring homes, maintaining sophisticated electrical equipment, and marketing to and servicing a large subscriber base allowed the company to successfully establish a security alarm business in Wichita. By 1989, the security division had grown to exceed 3,000 accounts. Through a limited acquisition program, the company has since grown to over 30,000 customers.

In July, 1992, the Board of Directors of Multimedia, Inc. approved the first phase of a five year plan to substantially increase investments in the security alarm business. At that time, Multimedia immediately initiated a site location search to determine the future location of its security operation. KDOC&H Industrial Development staff, through the WI/SE Partnership for Growth, initiated contact and began consultations with the company. On April 5, 1993, Kansas was selected as the future home for Multimedia Security Service, Inc. Multimedia officials indicate that the SKILL training grant was a decisive factor in the decision to locate the facility

in Kansas. Company plans call for the location of Multimedia's corporate staff, central monitoring station, and customer service center on the new site.

As the summary table indicates, 957 new jobs are being created as a result of the project over the next five years. Moreover, an in-house training facility is being established on the company premises to train the new employees. The training program is being implemented through the combined efforts of company trainers and Wichita Area Vocational-Technical School instructors. Butler County Community College and the Wichita State University is providing instructional support as well.

Specifically, the objective of the training plan is to take entry level employees with no related work experience and thoroughly train them in the technical skills required of each job. However, the curriculum provides employees with skills beyond the minimum skills needed to fulfill the basic requirements of the job. Additional training in Zenger-Miller certified interpersonal skills training, basic employment, leadership, and communication skills instruction is being provided. Examples of other skill training occurring under this project include telephone skills training, customer service training, technical security systems training, customer problem solving skill training, advanced business operations training, and computer systems and software training.

The total cost of the project is \$1,858,942. Multimedia is contributing \$119,180 of the total, the Wichita Area Vocational-Technical School is donating \$17,518 in in-kind administrative services, and SKILL program funds are financing the remaining \$1,722,244 in training costs. Initial performance data concerning this project will not be available until February 1, 1994.

The Appendix to this report shows the total projected cost of all of projects funded to date through final remittance. However, SKILL program FY 1993 state administration costs of \$29,706 are not included.

Potential Future Projects

Department of Commerce & Housing Industrial Development Division recruitment efforts throughout the last year have yielded a large number of successful facility location announcements. In addition to Multimedia, Walmart (distribution center), TIE Communications (telecommunications), First Brands (kitty litter manufacturer), Sanofi Winthrop (pharmaceutical manufacturer), Russell Stover (candy manufacturer) and others have announced plans for new locations or expansions in Kansas. In aggregate, the five projects mentioned above will generate approximately 1,000 new jobs over the next few years. Initial indications are that the SKILL program has played a key role in these company location decisions.

APPENDIX

DEPARTMENT OF COMMERCE AND HOUSING - SKILL PROGRAM PROJECTED ANNUAL DEBT SERVICE (TO DATE OF PAY OFF) FOR APPROVED PROJECTS

		FISCAL YEARS ENDING JUNE 30,													
PROJECT INFORMATION		1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	TOTALS	
SANTA FE	Principal	210,000	220,000	230,000	240,000	250,000	265,000	280,000	295,000	310,000	330,000			2,630,000	
Training Funds = \$2,306,599	Interest	117,879	121,770	112,970	102,620	91,100	78,000	65,085	50,525	34,890	18,150			793,589	
	Reserve cash flows	(7,713)	(8,292)	(8,292)	(8,292)	(8,292)	(8,292)	(8,292)	(8,292)	(8,292)	(267,146)			(341,195)	
Actual-SK1, 1992	Total	320,166	333,478	334,678	334,328	332,808	335,308	336,793	337,233	336,598	81,004			3,082,394	
MILLARD	Principal		100,000	100,000	105,000	110,000	115,000	120,000	125,000	130,000	135,000	145,000		1,185,000	
Training Funds = \$1,024,899	Interest	23,440	54,655	51,205	47,203	42,630	37,508	31,805	25,586	18,923	11,799	4,000		348,814	
	Reserve cash flows	(1,728)	(3,768)	(3,768)	(3,768)	(3,768)	(3,768)	(3,768)	(3,768)	(3,768)	(3,768)	(122,268)		(157,008)	
Actual-SK1, 1993	Total	21,712	150,887	147,437	148,435	148,862	148,740	148,037	146,818	145,155	143,031	26,792		1,375,606	
SANTA FE II \ HYPLAINS BEEF	Principal		225,000	225,000	235,000	250,000	260,000	275,000	290,000	305,000	320,000	335,000		2,720,000	
Total Training Funds = \$2,360,781	Interest		112,104	109,955	101,630	91,495	80,495	68,535	55,335	40,835	25,585	9,425		695,394	
SANTA FE II = \$1,360,484 and HYPLAINS BEEF = \$1,000,297	Reserve cash flows		(8,496)	(8,496)	(8,496)	(8,496)	(8,496)	(8,496)	(8,496)	(8,496)	(8,496)	(280,496)		(350,660)	
	Total		328,608	326,459	328,134	332,999	331,999	335,039	336,839	337,339	337,089	63,929		3,058,434	
Actual-SK2, 1993															
NATIONAL SERVICE CENTER	Principal		299,942											299,942	
Training Funds = \$299,942	Interest		N/A												
	Reserve cash flows		N/A												
Actual Cash Fund	Total		299,942											299,942	
HILLS	Principal		491,450											491,450	
Training Funds = \$491,450	Interest		N/A												
	Reserve cash flows		N/A												
Actual Cash Fund	Total		491,450											491,450	
MULTIMEDIA	Principal				160,000	170,000	180,000	185,000	195,000	205,000	215,000	225,000	435,000	1,1	
Training Funds = \$1,722,244	Interest		19,937	98,786	90,720	82,800	74,400	65,640	56,520	46,920	36,840	26,280	10,440	606,283	
	Reserve cash flows			(9,981)	(9,456)	(9,456)	(9,456)	(9,456)	(9,456)	(9,456)	(9,456)	(9,456)	(206,456)	(292,085)	
CONTRACT ESTIMATE 11/93	Total		19,937	88,805	241,264	243,344	244,944	241,184	242,064	242,464	242,384	241,824	238,584	2,287,198	
TOTALS BY FISCAL YEARS	Principal	1,001,392	545,000	555,000	740,000	780,000	820,000	860,000	905,000	950,000	1,000,000	705,000	435,000	9,296,392	
	Interest	141,319	308,466	372,916	342,173	308,025	271,003	231,065	187,966	141,568	92,374	39,765	10,440	2,447,080	
	Reserve cash flows	(9,441)	(20,556)	(30,537)	(30,012)	(30,012)	(30,012)	(30,012)	(30,012)	(288,886)	(412,220)	(114,148)	(206,456)	(1,148,148)	
	Total	1,133,270	832,910	897,379	1,052,161	1,058,013	1,060,991	1,061,053	1,082,954	1,061,556	803,508	332,545	238,984	10,595,324	

Actual - Bonds have been issued; debt service is as shown herein; past earnings on bond reserve are actual; future earnings on bond reserve are estimated.

Actual Cash Fund - Bonds will not be issued, project was cash funded as shown above.

CONTRACT ESTIMATE - This is a projection for an approved, contracted-for project, based on the following assumptions:

Actual project costs, as contracted for, are \$1,722,244.

Draws against a bond anticipation note having a variable interest rate, payable semiannually, are estimated to fund project costs until bonds are issued.

On or about 10/1/94, bonds will be issued for multiple projects, including this one; however, debt service shown above is for this approved project only.

State of Kansas Investments in Lifelong Learning (SKILL) Program
Return on Investment

By statute, companies may utilize no more than 90% of the withholding taxes generated over a ten year period as a result of the new jobs created through a workforce training project. SKILL projects to date have been funded in the 51% to 78% range, with a composite average of 65%.

Five out of seven company clients indicated that they are creating the new jobs and/or facilities in Kansas instead of accepting offers from other states because of the SKILL program. Three of the companies are new to the state, accounting for 1,516 of the 2,759 projected new jobs.

The table below shows that the state is 288% ahead of schedule in new withholding tax revenue collected as a result of the projects. Forty-seven percent of the projected aggregate new jobs has already been created, and all projects have been active 1.5 years or less.

Total investment of state funds to date to pay debt service or cash fund projects is \$1,393,798. All but \$259,941 of the investment has been recovered in new job withholding tax revenue.

SKILL Project Withholding Collections & Jobs Update

<u>Company Name</u>	<u>New Jobs Projected(1)</u>	<u>Actual Jobs(2)</u>	<u>Withholding Projected (3)</u>	<u>Actual Withholding(4)</u>
Santa Fe I	335	335	238,518 (6Q)	585,012 (6Q)
Millard	429	176	50,617 (3Q)	73,643 (3Q)
Hyplains	501	219	26,739 (2Q)	190,315 (2Q)
Santa Fe II	285	285	57,846 (2Q)	218,259(2Q)
NSC	130	158	16,480 (4Q)	42,563 (4Q)
Hills	122	120	3,000 (1Q)	24,065 (1Q)
Multimedia	957	N/A	N/A	N/A
Totals	2,759	1,271	\$393,200	\$1,133,857

(1) This column shows the total number of new jobs that are projected to be created when the project is complete.

(2) This column shows the actual number of new jobs created to date.

(3) This column shows the amount of withholding taxes the companies projected they would create as a result of the projects to date (shown by quarter).

(4) This column shows the actual amount of withholding taxes created to date (shown by quarter).

Program Survey
of
The Kansas Industrial Training and Retraining Programs
FY 1992

Steven Jack
Manager of Workforce Training
Kansas Department of Commerce and Housing

February 1994

*Economic Development
February 15, 1994
Attachment 4*

The Kansas Department of Commerce and Housing measures the effectiveness of the Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) programs by surveying companies receiving assistance. The survey instrument is based, in part, on one used by the Legislative Division of Post Audit in a 1987 report on job training programs in Kansas.

Forty-two companies that had completed KIT and/or KIR projects in FY1992 were surveyed. Three of these companies were involved in both KIT and KIR. Surveys were returned from 19 KIR projects and 13 KIT projects.

The average starting salary for new employees trained by the KIT program was \$6.53 an hour. Sixty-one percent of the trainees are still employed by the company that trained them and have received an average salary increase of 23 percent. Their hourly rate is now \$8.06 an hour. In every case, company officials considered these employees' performance to be at least comparable to other employees'. Thirty-one percent of the respondents rated these employees' performance as above average.

Starting salaries for KIR participants was \$10.79 an hour. Ninety-one percent are still employed and average \$11.21 an hour--a 4 percent increase. Sixty-nine percent of firms with KIR contracts rated their employees more proficient than their peers. The remaining 31 percent rated them equally proficient to others.

Seventy-eight percent of all respondents utilized a local educational agency. Ninety-two percent had contact with the local Job Service office and 67 percent used Job Service for

screening and referring new employees to the company. Fifty-nine percent of KIT-trained firms met with JTPA representatives, but only 25 percent actually hired JTPA participants. Seven percent of all new jobs created went to JTPA participants.

Ninety-six percent of the companies rated the assistance provided by the KIT/KIR officials as good to excellent. Assistance provided by JTPA representatives was rated as excellent by 29 percent, average by 29 percent, and fair by 43 percent. The local educational agencies were rated good to excellent by 77 percent, average by 17 percent, and fair by 9 percent. Eighteen percent of the respondents rated assistance from Job Service as good to excellent while 18 percent rated it poor. Sixty-four percent rated it average.

Seventy-seven percent of the companies responded that the KIT program was "important" or "very important" in the decision to expand or relocate their business. Fifty-four percent described the assistance as "very important." Eighty-four percent of KIR recipients called the program "very important" in retaining their current employees. The remaining 16 percent called it "important."

All companies realized savings or benefits from having employees trained through the KIT or KIR programs. Most outlined specific areas of benefits from the programs, including increased productivity, reduced turnover, better quality, less scrap, increased safety, and reduced operating costs.

One company reported a 20 percent increase in meeting

production standards. Another reported that now that their TQM program is fully implemented, company savings in 1994 is projected at \$100,000. Yet another responded that the program "provided the opportunity for more technical and quality training than we could afford at a critical time. Kansas should be proud to be able to provide assistance for education in the workplace."