

Approved: 3/30/94
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Chairperson Bob Mead at 3:30 p.m.. on March 22, 1994 in Room 423-S of the Capitol.

All members were present except:

Representative Mike Farmer, excused
Representative Forrest Swall, excused
Representative John Toplikar, excused

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

Conferees appearing before the committee: None

Others attending: See attached list

Chairman Mead distributed copies of a report from Bob Knight, Secretary of the Department of Commerce and Housing of an updated and more complete response to the conclusions found in the K-GOAL Legislative Post Audit. (Attachment 1)

The Chair then opened Substitute for SB 183, concerning urban revitalization, relating to strategic planning, for discussion and action.

Representative Haulmark made a motion to pass Substitute for SB 183 adversely, seconded by Representative Mollenkamp.

Representative Rutledge made a conceptual substitute motion which would separate appropriations for rural and urban areas and the funding for urban areas would not be available until the rural areas have been funded. This motion was seconded by Representative Dean.

Following discussion Representative Rutledge withdrew his motion and Representative Dean withdrew his second.

Representative Dean made a substitute motion to amend Substitute for SB 183 on page 6, line 26 (Section 10) and change "statute" to "Register", seconded by Representative Rutledge and the motion carried.

Representative Packer made a motion to pass Substitute for SB 183 as amended, seconded by Representative Dean.

Following discussion Representative Packer withdrew his motion and Representative Dean withdrew his 2nd.

Representative Mason made a motion to amend the bill to change the 50% in Section 5, (3), page 4 to 33 1/3%, seconded by Representative Packer and the motion carried.

Representative Dean made a motion to pass Substitute for SB 183, as amended, seconded by Representative Packer and the motion carried.

Chairman Mead next presented SB 639, concerning economic statistics, authorizing surveys of Kansas wage, occupation and underemployment data, for committee discussion and action.

Representative Packer made a motion to report SB 639 adversely, seconded by Representative Lahti and the motion failed on a 5-8 vote.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT, Room 423-S
Statehouse, at 3:30 p.m. on March 22, 1994.

Revisor Bob Nugent stated there was a technical change on line 28, Section 1 to strike the comma following "occupational".

Representative Wempe made a motion to pass SB 639 favorably, making the technical change, seconded by Representative Sader and the motion failed on a vote of 7-8.

Representative Dean made a motion to strike "wage survey collection" from Section 1, line 28, seconded by Representative Wempe and the motion carried.

Representative Dean made a motion to pass favorably SB 639, as amended, seconded by Representative Wempe and the motion carried.

The Chair then opened SB 795, concerning business entities, relating to each such entity's annual report and franchise tax, for discussion.

Representative Wempe made a motion to table SB 795, seconded by Representative Rutledge and the motion failed on a 5-9 vote.

Representative Wempe made a motion to amend SB 795, restoring all the agricultural language, seconded by Representative Rutledge.

Representative Haulmark made a substitute motion to restore all the language except for (3) and (4), page 7, of Section 5, and all other places mentioned in the bill, seconded by Representative Packer.

Following discussion, Representative Haulmark withdrew his substitute motion and Representative Packer withdrew his 2nd.

The Chair then called for a vote on the original motion by Representative Wempe to restore all agricultural language and requirements for reporting and the motion carried.

Representative Packer made a motion to pass favorably SB 795, as amended, seconded by Representative Haulmark.

Representative Nichols made a conceptual substitute motion to amend SB 795, Section 6, page 8, (5) and (6) so the holder of a license or a vendor under the Kansas lottery act must report more information to the Secretary of State than other franchises, seconded by Representative Wempe and the motion passed on an 8-5 vote.

Representative Haulmark made a motion to pass SB 795 as amended, seconded by Representative Packer and the motion carried 8-7.

Chairman Mead thanked the committee for their work during this legislative session and stated this would probably be the last meeting for the Economic Development Committee.

Chairman Mead adjourned the meeting at 5:20 p.m.

GUEST LIST

COMMITTEE: Economic Development DATE: 3/22/94

[illegible]



KANSAS

DEPARTMENT OF COMMERCE & HOUSING

Joan Finney
Governor

Bob Knight
Secretary

March 21, 1994

Rep. Bob Mead
Chair
House Economic Development Committee
Statehouse, RM 112-S
Topeka, KS

Dear Rep. Mead:

Our agency's original response to the K-GOAL Legislative Post Audit pointed out that the audit's conclusions were based on incomplete survey data. Additionally, the audit excluded numbers on the Kansas Industrial Retraining (KIR) program and focused only on incomplete Kansas Industrial Training (KIT) program survey results.

Follow up phone calls increased our return rate of the FY92 KIT/KIR projects surveyed from 51 percent to 71 percent. By considering all of the available data as well as results from the KIR program surveys, it is clear that the industrial training program remains a vital and effective tool in job creation and retention.

Enclosed for your consideration is an updated and more complete response to the conclusions found in the K-GOAL audit. Please share these copies with the members of your committee. Let me know if I may be of further assistance.

Sincerely,

Bob Knight
Secretary

Enclosure

cc: Ron Green

Economic Development
March 22, 1994

Response to K-GOAL Legislative Post-Audit Report
Regarding Workforce Training Programs

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

March 1994

The K-GOAL review of the workforce training programs concludes that they are "effective in helping new businesses and expanding businesses to add jobs or retain current workers." The report found that more than two-thirds of recently surveyed businesses responded that the Kansas Industrial Training (KIT) and Kansas Industrial Retraining (KIR) programs were "important" or "very important" in their decision to expand their business or retain current employees. The survey also revealed that the employees' average salary levels were higher after they received the training. These measures show the effectiveness of the programs in both the creation and retention of jobs and the increased value of trained workers to the participating companies.

However, according to the report, surveys of two time periods indicate that the effectiveness of the KIT program "may have declined." It should be pointed out that the four measures highlighted in the report's table are not the only data measured in the recent survey. It should also be noted that the FY92 survey data utilized in the report was incomplete. Followup phone calls in January increased the return rate from 51 percent to 71 percent.

The first two columns in the following table show the figures reported in the K-GOAL audit. The first column represents survey results of FY87 KIT projects (prior to the passage of the KIR program). The second column shows the partial FY92 survey results reported in the audit. The third column shows completed FY92 survey results. The final column shows survey results for FY92 KIT/KIR projects combined.

The more complete data reveal modest declines in three measures but show a rise in average salary increase from FY87 to FY92. More importantly, by ignoring KIR data, the post-audit report fails to show improvements in program effectiveness when comparing accomplishments of the industrial training program in FY87 in relation to the total industrial program in FY92. The most significant point is that in FY87, 83 percent of respondents rated the KIT program as important or very important to the creation of new jobs. While this figure is impressive, 91 percent of KIT and KIR recipients in FY92 rated the program as important or very important to the creation of new jobs and the retention of existing jobs.

Outcomes of the Kansas Industrial Training Program,
Based on Surveys of Participating Companies

	KIT ONLY FY1987	K-GOAL KIT FY1992	UPDATED KIT FY1992	KIT/KIR COMBINED FY1992
1. Percent rating training as important or very important	83%	70%	77%	91%
2. Percent of trainees still employed by same company	79%	49%	61%	87%
3. Employees' average salary increase following training	21%	14%	23%	6%
4. Percent of employers rating trainees as "above average"	40%	20%	31%	53%

1. PERCENT RATING TRAINING AS IMPORTANT OR VERY IMPORTANT:

The additional surveys improved the response regarding whether KIT or KIR were important to the creation and retention of jobs from "more than two-thirds" to 91 percent. The percent that

rated training in the KIT program as "important" or "very important" to the creation of the jobs is shown in the report as declining from FY87 to FY92 from 83 percent to 70 percent. Additional data reveal the FY92 figure to be 77 percent.

While job creation is a primary goal of the KIT program, reduced operating costs, increased productivity, reduced material scrap, reduced set-up times, and other benefits are expected from workers trained through KIT. **All respondents of both programs reported increased productivity and/or cost savings resulting from the training.**

2. PERCENT OF TRAINEES STILL EMPLOYED BY THE SAME COMPANY:

The survey revealed a lower percentage of trainees still employed by the same company several months following training in FY92 than in FY87. With the additional surveys received to date, the FY92 figure has risen from 49 percent to 61 percent. When comparing the impact of the total program between the two time periods, the percent of trainees still employed rose from 79 percent to 87 percent. It may be noted that even if employees move on to new jobs, they take with them transferable skills according to the 1992 Kansas, Inc. evaluation of KIT and KIR. They also leave recently created jobs to be filled by others.

3. EMPLOYEES' AVERAGE SALARY INCREASE FOLLOWING TRAINING:

The report states that survey results showed a decline in the salary increase following KIT training from 21 percent in

FY87 to 14 percent in FY92. Additional data actually show an increase from 21 percent to 23 percent. The addition of KIR results reduces the figure substantially. This should not be viewed with alarm, however, because the KIR program targets employees likely to lose their jobs rather than those likely to receive large salary increases. The key measurement of the KIR program is, simply, the effect of the program on saving jobs.

4. PERCENT OF EMPLOYERS RATING TRAINEES AS "ABOVE AVERAGE":

Incomplete data show the percentage of employers rating trainees as "above average" has declined from 40 percent to 20 percent. More complete data increase the latter figure to 31 percent. 53 percent of KIT and KIR respondents rated trainees as above average. Perhaps an even more significant number is that 100 percent of the respondents of both programs rated trainees as either above average or equal to other workers.

Finally, the report points out what it terms a "problem" in that the programs operated a "first-come, first-served" basis "without regard to the type or quality of jobs involved." While companies with lower skilled jobs do receive consideration for funding, the level of funding is, to a great extent, directly related to the skill level, wages, and type of job being trained. Smaller funding amounts are negotiated for lower wage/lower skill jobs. Guidelines which the agency utilizes in determining the eligibility of firms, the eligibility of training expenditures, and the level of project funding is attached.

In the next fiscal year, a new performance standard relating to wages will be implemented. It will measure the percentage that the average trainee wage exceeds the average Kansas employee wage for new or existing jobs. Currently, the average wage for new jobs being created in all sectors of the Kansas economy is \$6.02 per hour according to the Kansas Department of Human Resources. Salaries of KIT trainees in the current fiscal year average \$7.70 per hour. Salaries of KIR trainees to date in FY1994 average \$11.85 per hour.

It is clear that when all the data are considered, the industrial training program remains one of the most effective tools the state has in the creation and retention of jobs. The program continues to demonstrate a significant impact on the productivity of business and industry and on the skill level of Kansas employees.

**KANSAS INDUSTRIAL TRAINING & KANSAS INDUSTRIAL RETRAINING
Program Guidelines
FY94**

COMPANY ELIGIBILITY:

1. Kansas Basic Industries are given priority over all other types of industry in the state. These eligible firms include those involved in manufacturing, distribution, regional or national service, agriculture, mining, research and development, interstate transportation, and tourism activities primarily aimed at attracting out-of-state tourists. Non-basic industries are eligible only if some compelling economic benefit to the state can be shown.
2. A firm must be adding at least 5 new employees to be eligible for the KIT program. These jobs cannot be replacement jobs but rather new positions added to the company's workforce. A firm must retrain at least 5 existing employees to be eligible for the KIR program.
3. Firms eligible for the KIR program must show they are restructuring their business operations through incorporation of existing technology, development and incorporation of new technology, diversification of production, or the development and implementation of new production activities. Firms must also show that employees to be trained are likely to be displaced because of obsolete or inadequate job skills and knowledge. Companies are eligible for no more than two KIR contracts within any four year period.
4. A firm must provide information as required in the programs' proposal outline documents.

TRAINING COST ELIGIBILITY:

1. Training expenditures eligible for reimbursement include, but are not limited to: instructor salaries, travel, materials, supplies, textbooks, manuals, video tape development, minor equipment, temporary training facilities, utility costs, and curriculum planning and development. Ineligible expenditures include trainees' salaries and major equipment.
 - a. Instructors may come from a company's own production supervisory staff, area vocational-technical school, community college, university, vendor, or outside consultant.
 - b. Travel expenditures may include the costs of travel, meals and lodging for both trainers and trainees.
 - c. Minor equipment includes training equipment, tools and computer software of typically under \$1,000 per item. The total amount of equipment purchased typically may not exceed 20 percent of the total reimbursable project costs.
 - d. Utility costs must directly relate to the use of training equipment or that portion of facilities used in the training process. These costs are a lower priority for reimbursement than other, more direct, training expenditures.

2. Projects are funded on a "first-come, first-served" basis. The maximum amount allowable per trainee is \$2,000, although contracts typically may be less than that. Factors utilized in determining the amount of funding of each project include:
 - a. The quality of the jobs, with priority given to full time jobs that have a higher wage scale, higher benefit levels, a low turnover rate, and opportunity for career development or advancement.
 - b. The needs and impact of the project, including current local employment conditions, resultant new economic activity, the project schedule, leveraging other resources, beneficial impact on the tax base and project feasibility, as well as the probability that the project will accomplish the projected benefits.
 - c. The extent to which the project utilizes funds in the most efficient and effective manner to train employees.
 - d. The extent to which funding is essential to the training of the employees, the creation or retention of the jobs, or both.
 - e. The extent to which the employer requesting assistance can continue in business at the levels necessary to retain the jobs.
 - f. The extent to which the project utilizes existing training resources.
 - g. The amount of matching funds contributed by the company.
 - h. The availability of program funds.
3. Training contracts are typically 6 to 12 months in length. Contracts may be written for up to 18 months if a longer period is required in the hiring and/or training plan. Contracts may be extended if necessary to successfully carry out the goals of a project.
4. All KIR contracts require at least a 50 percent match from the company. KIR project expenditures must be related to changes in technology or production activities. Retraining in safety or federal program requirements (i.e., OSHA, ADA, etc.) is not eligible for reimbursement unless directly related to changes in technology or production activities. Quality-based retraining is an eligible cost if it is statistically based and/or represents a significant restructuring of the business operation and is required by all trainees. Employees receiving retraining must face a strong likelihood of displacement due to obsolete or inadequate job skills and knowledge.