

MINUTES

LEGISLATIVE COMMISSION ON ECONOMIC DEVELOPMENT

November 17, 1986

Members Present

Representative Jim Braden, Chairman  
Senator Wint Winter, Jr., Vice-Chairman  
Senator Paul Feleciano, Jr.  
Senator Mike Johnston  
Senator Dave Kerr  
Senator Alicia Salisbury  
Representative Marvin Barkis  
Representative David Heinemann  
Representative Phil Kline  
Representative Don Mainey

Staff Present

Belden Daniels, Consultant to the Commission  
Ben Barrett, Kansas Legislative Research Department  
Chris Courtwright, Kansas Legislative Research Department  
Raney Gilliland, Kansas Legislative Research Department  
Tom Severn, Kansas Legislative Research Department  
Paul West, Kansas Legislative Research Department  
Gordon Self, Revisor of Statutes

Others Present

David Barclay, Department of Economic Development  
Harland Priddle, Special Assistant to the Senate Majority Leader  
Anthony Redwood, Consultant

The Chairman called the meeting to order shortly after 3:30 p.m. The minutes from the June 27 meeting were approved with editorial changes. The Commission then established future meeting dates. Presentation of final task force reports was scheduled for December 2 from 1:30 p.m. to 5:30 p.m. The report from the Task Force on Agriculture will not be given first, due to a

possible time conflict. The Commission also tentatively approved December 8, 9, 15 and 16 for in-depth consideration of the task force recommendations.

The Chairman then asked the task force chairmen to give progress reports. Representative Heinemann, Chairman of the Task Force on Agriculture, said that the task force had concluded hearings and was working on making recommendations. He said that although many of the problems facing agriculture were national or international in nature, the task force had decided that Kansas could do a number of things to enhance agriculture, including improving communications between the state's numerous agricultural institutions.

Senator Kerr, Chairman of the Task Force on Capital Markets and Taxation, said that in spite of the broad charges, the task force was in the process of finalizing recommendations in both the capital markets and taxation areas. He said that the task force also would make a recommendation of further study in the area of workers' compensation, given that steadily increasing premiums could be hurting economic development in Kansas. He told the commission that the taxation, capital markets, banking and securities recommendations would indeed be bold.

Representative Kline, Chairman of the Task Force on Higher Education, said the task force, in conjunction with consultants Anthony Redwood and Ed Flentje, had been studying other states' higher education economic development initiatives and reviewing Kansas' governance of higher education. Regarding governance, Representative Kline said that the task force was considering several options, including a recommendation that Kansas consolidate all post-secondary education under the Board of Regents.

Senator Salisbury, Chairman of the Task Force on Business Training, said that the task force had approved 11 recommendations and passed out an executive summary of the report. (Attachment I). She said that education should be considered one of Kansas' strongest economic development tools and should be used to the state's best advantage in making the job training system a cornerstone of the economic development strategy. She also said that the task force had concluded that Kansas needed a market-driven, flexible job training system, particularly in the wake of dwindling federal funds for job training programs.

The Chairman adjourned the meeting at 4:45 p.m.

Prepared by Chris Courtwright

Approved by Committee on:

December 8, 1986  
(Date)

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## EXECUTIVE SUMMARY

Lamentably, Kansas has been slow to recognize that its beleaguered economy is not experiencing a cyclical downturn from which recovery can soon be expected; rather, the state is facing a major restructuring which carries with it no guarantees of future well-being. General aviation will not return to employment levels of the last decade, employment in production agriculture will continue its long-term decline, and recovery of the oil and gas industry cannot be predicted with any certainty. Kansas leaders must now come to terms with the requirements and uncertainties of restructuring the economy. There is no other alternative if we wish to achieve a revitalized, growth-oriented business climate.

Within the last year the Legislature has taken a series of steps designed to spur economic development. One called for the creation of this Task Force and charged it generally with assessing the publicly supported job training system. Continued state level attention to economic development issues must have a high profile for the next several years. Education has been recognized as perhaps Kansas' most important development tool. We must use it to our best advantage in making of the job training system a cornerstone of our economic development strategy. The need for this emphasis becomes crystal clear when it is recognized that:

1. The states cannot continue to rely mainly on federal funding to support their job training efforts. These funds are dwindling and they come with too many restrictions as to how they may be used to serve as a reliable and responsive resource to meet the varied training needs of businesses. It is not that the restrictions are bad; indeed, they are not. The funds are targeted to genuinely needy populations. The point is that the states must develop alternative funding sources if they are to meet the demands of business for customized training. State funds and partnerships for this purpose appear to be the wave of the future.
2. Most economic growth in Kansas can be expected to be generated from within the state, not by attracting manufacturing plants from outside or by attracting new branch plants. In order to nurture these ventures, we must do as well as, or better than, other states in developing a flexible and responsive job training system that will deliver the critical skills requisite to survival and growth. In this respect, we must recognize and compensate for the fact that many of these enterprises could not, by themselves, afford to provide the skills needed for survival.
3. In our efforts to attract businesses to the state and to encourage those located in Kansas to remain and to grow here, we face fierce competition from other states in the area of job training. We have no choice but to offer attractive employee training packages if we are to remain competitive. This will require the

commitment of substantial state funds and development of partnership arrangements. Businesses are keenly aware of the extent to which their own survival depends on the training and quality of their workforce.

We face significant, but surmountable, obstacles in the development of a better job training system. For instance:

1. There are inherent barriers in the job training system which obstruct rapid and effective response to the job training needs of businesses; furthermore, the goals of this system are not clearly articulated. The result is a system that cannot address the needs or utilize resources as efficiently as it should. Our resources are limited; we cannot afford to use them unwisely.
2. The design of the job training system does not allow it to adequately respond to the consumers, *i.e.*, the students, and to the needs of employers. Nor is the system subject to meaningful accountability standards. As a result, the system is not sufficiently attuned to the employment needs and opportunities in a rapidly changing employment environment. If we are to be able competitors, we must do better.

Thus, the Task Force has gone about its duties with a keen understanding of the importance to economic development and to the well-being of the people of the state's commitment to the human capital component of the state's economic development policy.

The work of the Task Force was conducted through a series of two-day meetings in each of the months of July through October and one day in November. During this time the Task Force endeavored to develop an in-depth understanding of the present job training system, to receive input in the form of suggestions and recommendations for improving the system from as many interested parties as possible, and to evaluate the analysis and recommendations of two consultants whose services were retained on behalf of the Task Force.

The report of the Task Force is designed to respond to the several charges assigned to it. It includes a description of the major components of the job training system, identifies important issues and concerns pertaining thereto, and concludes with a far ranging set of conclusions and recommendations, several of which can be characterized as bold new initiatives. So that the reader may be able to easily review the full range of proposals that were presented to the Task Force, our report includes the papers submitted by the two consultants who served it and a summary of the recommendations of all others who appeared before the Task Force.

Generally, it will be observed that our work product is a practical set of recommendations which, we believe, can and should be implemented in the near term. We are confident that they will address many of the deficits which render the present system less effective than it should be. We have included a recommendation with respect to governance of the job training system. Adoption

of that principle would lead to better planning and coordination of program activities, but it is not critical to the success of the improvements we are proposing.

The Task Force attaches a substantial amount of faith to the virtues of utilizing responsible competition and incentives to achieve desired objectives. This philosophical approach underpins many of our recommendations. We believe that the responsiveness we are seeking in order to address our job training problems can best be achieved in this way. The alternative approach, dictated imposed through bureaucratic channels, would miss the mark because they are not sufficiently sensitive to the changing requirements of the market place. Our proposal especially emphasizes the capacity to respond quickly to the customized training needs of business; it also features a consumer driven approach to accountability of the job training system.

The Task Force submits the following recommendations:

1. The community colleges and all public vocational training institutions, including the Kansas Technical Institute, should be supervised by an appointed independent and separate policy board.
2. A strong commitment of the Task Force is for creation of a customized training program. The program should provide training to meet the needs of new employers in Kansas and of those who are increasing their work force in Kansas at no cost to them. It also should provide for retraining of employees of Kansas employers on a shared cost basis when such retraining is to prepare present employees for new technology applications or to otherwise prevent displacement of such employees. The source of funding for this program should be determined by the Legislature. In this respect, JTPA and federal vocational education funds should be used, to the extent possible, to supplement state funding for this program. (A somewhat similar program in California captures a portion of the unemployment insurance taxes paid by employers as the principal funding source and is one option that could be considered.)
3. A program should be enacted to provide financial awards to public educational institutions that provide vocational and technical training for exemplary performance in training and placing handicapped or disadvantaged persons in employment. The annual appropriation for this program should be \$150,000, with five awards, one each for up to \$50,000, \$40,000, \$30,000, \$20,000, and \$10,000, to be outside of the institution's budget and used for any purpose it determines. The competition of institutions

in pursuit of these awards should be exempt from any service area limitations. The program should be administered by the State Council for Employment and Training.

4. A program should be enacted to provide financial awards to public educational institutions that provide vocational and technical training for exemplary performance in job creation, entrepreneurship, and job upgrading in rural areas of Kansas. The annual appropriation for this program should be \$150,000, with five awards, one each of up to \$50,000, \$40,000, \$30,000, \$20,000, and \$10,000, to be outside of the institution's budget and used for any purpose it determines. The competition of institutions in pursuit of these awards should be exempt from any service area limitations. The program should be administered by the Kansas Department of Commerce. Also, greater emphasis should be placed on the option of unemployed persons becoming entrepreneurs. Job service offices and JTPA administrators should devote greater attention to this objective.
5. The multiple for funding community college vocational programs (1.5 generally, and 2.0 for Cowley County and Pratt) should be fixed at 2.0 for all such institutions. This will provide greater incentive for community colleges to emphasize vocational education.
6. It is imperative that the Legislature fund capital outlay programs for the acquisition by purchase or lease of instructional equipment by vocational schools and community colleges. Therefore, the vocational school capital outlay aid program (K.S.A. 72-4440, et seq., as amended) should be expanded to include community colleges. The Task Force recommends that \$2.0 million be provided for this program in FY 1988 and thereafter. This program should be competitive. Also, the state pool of instructional equipment program (K.S.A. 72-4444, et seq.) should be funded. The Task Force recommends that a minimum of \$250,000 be provided for this program in FY 1988.
7. A Kansas Training Information Program (K-TIP) should be implemented. This program will contribute to a consumer oriented performance driven job training system by placing in the hands of users of the system information on placement and earnings rates of each job training program. This information system would include the community college and other postsecondary vocational

training programs, as well as the programs of proprietary schools that opt to participate. It should be administered by the State Board of Education.

8. The state policymaking board for community colleges and vocational schools should increase the accountability for job training programs under its jurisdiction. Initially, the board should consider enrollment, placement, and earnings criteria as means of evaluating programs for continued support. The board should work closely with the House and Senate education committees in a continuing dialogue on the development of meaningful performance criteria for these programs.
9. The House and Senate education committees and the Legislative Educational Planning Committee should engage in regular review of the operation and performance of the major job training programs. This practice should become "institutionalized."
10. The approval procedures and standards for training programs of community colleges and vocational schools that result in the award of a certificate, credit hours, or a degree should be reviewed by community college and vocational school representatives to identify any barriers to rapid and effective responses in meeting the training needs of business and industry and to recommend changes to reduce or eliminate these barriers while still maintaining the integrity of the courses or programs. This activity should be conducted under the auspices of the State Board of Education. The report of this review, together with any recommendations requiring legislation for implementation, should be submitted to the House and Senate education committees on or before January 15, 1987.
11. Through its five regional offices, the Department of Commerce should act as a source of information for business and industry on available training programs. In this way the Department would provide information on training programs throughout the state and would market training through its existing industry program.

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