Approved 3/17/87
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT.

The meeting was called to order by Phil Kline (Chairperson) at

3:30 a.m./p.m. on Monday, March 2, 1987 in room 423-S of the Capitol.

All members were present except: Rep. Mainey (excused)

Committee staff present:
Jim Wilson, Revisor
Lynn Holt, Research
Molly Mulloy, Secretary

Conferees appearing before the committee:
Senator Alicia Salisbury
Dr. Charles Kreider, Institute for Public Policy & Business Research, KU
David Barclay, Deputy Secretary, Department of Commerce
Rob Hodges, Kansas Chamber of Commerce and Industry
Ron Gauches, Boeing Military Airplane Company
Bill Medlock, director of Unemployment Insurance, Dept. of Human Resources
Steve Ingram, director of Dislocated Workers Program, Dept. of Human Resources

Chairman Kline called the meeting to order and opened the hearing on H.B. 2434.

The first proponent to testify was Senator Alicia Salisbury, chairman of the Task Force on Business Training for the Legislative Commission on Economic Development. Senator Salisbury provided background on the bill, stating that the Task Force found that while Kansas had a highly educated workforce, it needed to be better trained to meet the immediate needs of industry. H.B. 2434 provides funding for the program in H.B. 2515, which she noted was the centerpiece of business training recommendations from the Task Force. She added that the third bill recommended by the Task Force, H.B. 2528 which the committee hears tomorrow, provides for a formalized system of accountability for vocational education money spent in the area of business training by community colleges and vocational education schools.

Dr. Charles Kreider testified in support of the bill, noting that H.B. 2434 was the funding mechanism for H.B. 2515 and is a way to fund customized training in the state without going to the general funds as a source. He gave the background for the bill and pointed out that if the .04% tax is added to the unemployment insurance (UI) base, the state's unemployment rate should decline over a period of time as the persons who receive training will have shorter and/or fewer periods of unemployment. He reasoned that the UI tax on companies will decline also over time and there will be an offset. Dr. Kreider added that the committee might want to consider reducing the tax rate the first year, perhaps down to .02%, then phase it in at .03% and .04% on the ground that by the third year, employees already receiving training will be less of a drain on the UI system. He distributed several copies of a report on the use of unemployment funds for job training in California (Attachment 1).

David Barclay of the Department of Commerce answered questions of the committee on both H.B. 2434 and H.B. 2515, speaking in support of the bills. He commented that the decision as to which vocational school or community college would receive the retraining contract depended on two things: their geographic location in relation to the company seeking training and their ability to provide a company's particular training needs. Mr. Barclay suggested a change in lines 0033 and 0040 in H.B. 2515 by striking the words "on the job" since the training may be on the job or it may be in a classroom depending on the business. He distributed two handouts (Attachments 2 and 3) which describe the KIT program and list businesses for whom training is currently provided.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,

room 423S, Statehouse, at 3:30 a.m./p.m. on Monday, March 2, 1987.

Rob Hodges testified against H.B. 2434 and H.B. 2515, stating that his organization opposes using the unemployment insurance taxing mechanism for any purpose other than payment of administration and benefits for unemployed workers. He noted that the Chamber is not opposed to establishing a retraining program and the funding of such program as long as funding does not come from UI (Attachment 4).

Ron Gauches, representing Boeing, stated his opposition to H.B. 2434. He mentioned that Boeing is the state's largest private-sector employer. They feel that unemployment rates should be experience-rated. He added that those employers who might pay the most dollar amount of the surcharge into the training fund may never see any direct impact in their unemployment costs. He said if the Committee choses to impose a surcharge on unemployment benefits, he would urge they provide a sunset so that in 3-4 years it could be seen if the results predicted by the proponents were accurate.

Bill Medlock, director of Unemployment Insurance for the Dept. of Human Resources, said he opposes H.B. 2434 because he opposes using the UI distribution system as a means to collect assessment to pay for the technological advancement of Kansas workers. He added that he did not think the increased tax would be viewed favorably by companies moving to Kansas. He said that H.B. 2434 adds an additional tax that employers must pay and said a lower unemployment tax would make Kansas more attractive to employers coming into the state.

H.B. 2515: Chairman Kline asked Dr. Kreider to discuss the background of this bill. Dr. Kreider said that the Economic Development Commission found there was a need for retraining of Kansas employees in situations where the company was not expanding jobs but was going through a major change, either a new production process or new technology or perhaps changing to a new product. He suggested that the Committee might want to add the words "or new product" at the end of line 0039. He said that while the KIT program is 100% funded by the state, the KIR program requires some cost sharing.

The next conferee was Steve Ingram, who spoke in opposition to H.B. 2515. He stated that his department (Dislocated Workers Program, Department of Human Resources) presently provides retraining for displaced workers and could provide the training discussed in this bill if funding were provided.

HB 2514: Rep. Kline opened the hearing on this bill, which establishes a program which would grant to public educational institutions recognition awards for operating exemplary programs that would enable residents in rural areas of Kansas to remain in those areas and become self sufficient through job creation and upgrading. The Secretary of Commerce would make these awards on a competitive basis. The bill results from a recommendation by the Legislative Commission on Economic Development, the intent of which is to stimulate creation of jobs in rural areas of the state. There were no confereees present to speak on this bill.

The committee meeting adjourned at 5:00pm. The next meeting is scheduled for March 3, 3:30pm, Room 423-S.

Date: 3/2

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME	ORGANIZATION	ADDRESS
Fred Gaines	KSDE	Topeka, Ks.
Charles Krider	KU	Lawrence
Rob Hodges	KCCI	Topeka
Bill Maddock	KDHR	TOPEKA
Steve Ingram	KDHR	Topeka
Ron Gaches	BMAC	WICHITA

(1)

THE USE OF UNEMPLOYMENT INSURANCE FUNDS FOR JOB TRAINING

:

The Programs of California and Delaware

Prepared
by

Kathleen Bryant

The Institute for Public Policy and Business Research
of
The University of Kansas

Attachment 1
03/02/87

THE EMPLOYMENT TRAINING FUND OF CALIFORNIA :

USE OF UNEMPLOYMENT INSURANCE FUNDS FOR JOB TRAINING

The California EMPLOYMENT TRAINING FUND (ETF) was established by the state legislature in 1982, with an effective date of January 1, 1983 and a funding date of May, 1983. Since that time, the ETF has received a yearly appropriation of $55 million from Employment Training Tax revenues which constitute 0.1 percent of wages paid in the state. These contributions are collected in the same manner and at the same time as those for the state's Unemployment Insurance Fund (UIF). The ETF program has no ties with the state's general fund.

At the time the ETF was established, the State of California found itself with a large surplus of UIF monies. To enable an alternative use for these surplus funds, the legislature simultaneously reduced the normal UIF tax by 0.1 percent, and enacted a special levy of 0.1 percent for the ETF. The enabling legislation limits the annual ETF appropriation to $55 million, with any excess contributions to the ETF transferred to the UIF. With legislative approval, the statute also allows the use of ETF contributions for payment of interest charged on any federal loans to the UIF.

PURPOSES OF THE FUNDS. The funds are specifically designated for job-linked training programs, and are intended to encourage employers to locate and expand facilities in the state. By facilitating the training of skilled workers, both business and labor benefit from these programs.

As declared by the legislature, "The purpose of this (statute) is to establish an employment training program which shall foster job creation, minimize employers' unemployment costs, and meet employers' needs for skilled workers by providing skills training to unemployment insurance claimants, recent exhaustees of unemployment insurance who have remained unemployed (within 52 weeks after exhausting benefits), and potentially displaced workers who would otherwise become unemployment insurance claimaints." The latter category of training client refers especially to those currently employed, but in danger of lay-off within a 2-year period because of obsolete skills.

ADMINISTRATION OF THE FUNDS. The ETF program is implemented through a special unit of the Employment Development Department, which also administers the state's UIF benefits. However, the legislature established a special Employment Training Panel to set policy and approve training contracts. This panel, which meets on a monthly basis for a term of two years, is comprised of seven members: four representatives from organized labor, and three from the California business community. All panel members are appointed by either the legislature or the governor, with the latter also designating the panel's chair.

The staff members who serve the Training Panel recommend policy and specific training contracts for the panel's approval; they do not have voting privileges. Headed by an executive director, the unit's 48 staff members are located throughout the state in three field offices.

The program's training services are administered through performance-based contracts with prospective employers and are funded on a per-trainee basis. Each training program is carefully designed by an interested business to meet its particular employment needs: the employer determines training skill emphasis, selects its instructional staff, and prepares its own budget. However, as part of the contract with the Training Panel, the employer also contracts for guaranteed placement of any program trainee for at least 90 days following the end of the training period. (Hence, its designation as a "performance-based contract.")

Once a training contract is APPROVED by the panel, the training costs are actually transferred into the account of the administrative unit. They are then held in an investment-bearing account as encumbered funds until the employer's contract performance is verified. At that time, the employer is reimbursed for the training costs of any employed trainee. If employment needs are overestimated in the training contract, the per-person training costs for any unemployed trainees are retained as encumbered funds by the administrative unit.

All expenses of the Employment Training Panel and its administrative unit are paid for by the interest which accumulates on the committed funds during the time period between transfer to the administrative unit and when they are expended to reimburse the contracting employer.

At the present rate of implementation, it is estimated that the entire $55 million appropriation to the Employment Training Panel will be exhausted by February, 1987. Should that occur, it is expected that the panel will be able to unencumber those funds not expended in contract implementation. These funds should be sufficient to satisfy contract needs until the start of the next fiscal year on July 1.

EXPERIENCE OF THE PROGRAMS. Since its inception in 1983, 62,600 workers have participated in ETF job-training programs. Training is not limited to any particular industry or type of job skill. However, the program does emphasize a 'job' focus, rather than merely an 'employment' orientation, and seeks to match specific job skills with specific jobs.

Eligibility criteria for the program from the employer's perspective are limited. First, the length of a training program must meet a minimum length of 100 hours; most programs, in fact, average 400 hours. Second, subsequent wages must equal $5.00 per hour in metropolitan areas. The Training Panel, however, prefers a higher wage than the minimum standard, and average wages after training actually reach $7.95 per hour. And, of course, reimbursement eligibility is determined by the successful-placement criteria outlined above.

EVALUATION OF THE PROGRAM. While the program is not specifically designed as a tool of economic development, its contribution to economic development is considered to be a substantial byproduct. In fact, the program's slogan is stated as "Retraining for Economic Development." In addition, economic development corporations often act as middlemen in the contract process, alerting local businesses to the program's training opportunities.

The program is considered to be a success by all three sectors: government, labor, and business. Its immediate and direct advantages to labor and business are obvious. In a state which is not noted for its benefits to business, its advantages to that sector are even more noteworthy.

The program is designed to facilitate cooperative enterprise among its constituents, and is, in fact, supported by all three. Consensus among representatives of labor and business on the Employment Training Panel is necessary for the program's successful implementation. And legislative support is evidenced by the program's initial reception among policy makers, when only four legislators voted against the enabling statute. An additional endorsement from the legislature came in 1985 in the form of legislation which extended the life of the program for a term of 4 years beyond its original expiration date of January 1, 1987.

SOURCES: Ms. Sandra Glackin, California Employment Training Panel staff member, and the California statutes.

THE BLUE COLLAR TRAINING PROGRAM OF DELAWARE :

USE OF UNEMPLOYMENT INSURANCE FUNDS FOR JOB TRAINING

The Delaware BLUE COLLAR TAX ACT (BCTA) was signed into law in August, 1984, with an effective date of January 1, 1985. The purpose of the legislation is to provide funds for job training programs through a levy of 0.1 percent on all taxable wages paid in the state. In calendar year 1985, the special tax fund collected $1.2 million in revenues for job training.

The BCTA was legislated after repayment of a federal loan to the Delaware Unemployment Insurance Fund, which had previously operated on a deficit. To repay that loan, a special penalty tax had been imposed on the state's employers in the amount of 0.6 percent. Upon expiration of that debt, the legislature reduced the special levy to 0.1 percent, and designated those funds for job training programs. These funds are deposited with the Department of Labor in a Special Administration Fund.

PURPOSES OF THE FUNDS. The BCTA funds are disbursed to two state agency divisions to provide training for several categories of workers. The Delaware Development Office, Division of Training and Recruiting (DTR), receives 25 percent of the monies, and 75 percent is assigned to the Division of Employment and Training (DET) of the Department of Labor. Of total funds allocated to each division, no more than 5 percent may be paid for administrative costs.

As stated in the enabling legislation, the special fund "shall be dedicated to the establishment and implementation of programs to provide for the counseling, training and placement of dislocated workers, to assist in school-to-work transition activities such as vocational guidance, training, placement and job development, to provide for career advancement training for state employees and to pay the administrative costs of those programs."

ADMINISTRATION OF FUNDS: Department of Labor. The DET and the Delaware Private Industry Council, Inc. (PIC), co-administer three categories of job training programs: 1) school-to-work transition acitivites; 2) dislocated worker training; and 3) innovative training programs. These are very flexible programs, with no eligibility requirements. Trainees need not be unemployed to qualify.

DET programs primarily provide school-to-work transition acitivites. Currently, this category of training utilizes about 50 percent of total division funding, which is the limit established by law. A highly successful component of these activities is the Jobs for Delaware Graduates program, which was previously funded by the state government and foundation grants. This program offers counseling, assessment, and follow-up services to high school graduates.

The remaining 50 percent of the special funds are spent on dislocated worker training and other innovative training programs. Dislocated workers have not been a significant problem in Delaware, although the DET reports that the state may need additional funds for their training next year, especially if JTPA reduces its funding level. To date, few innovative programs have materialized.

ADMINISTRATION OF FUNDS: Delaware Development Office. The DTR has two responsibilities: 1) to underwrite customized programs for retraining, upgrading, and training for new jobs in new or expanding businesses; and 2) to provide training programs for state employees to facilitate career mobility.

Training opportunities for state employees are limited by an annual budget of $100,000. A Proposal Review Committee, composed of the Personnel Director, the Director of DTR, and a member of AFSCME, the state employees' union, determine which state employees will receive funding.

For customized training programs, a development team of DTR works directly with companies to determine their particular labor needs and the available work force. In a coordinated effort with the Job Service, an attempt is first made to locate qualified workers to meet those needs. If worker training is required because of an insufficient and/or underqualified labor force, the DTR will undertake an analysis of the jobs and tasks involved. The result is a program of training which is designed to be flexible, and which requires the review and approval of the company.

Negotiations with a prospective trainer regarding fees and other contract stipulations then follow. One-half of the training fees are paid to the trainer at the program's outset, with the remaining half remitted upon completion. For these costs, the participating business may be required to provide a match of between 50 and 70 percent of the state's contribution, a negotiable amount which depends on the skill level requirements of the training program. A participating business is not required to guarantee subsequent employment for the program's trainees.

EXPERIENCE OF THE PROGRAMS. In FY 86 (July 1985 through June 1986), DET programs trained 911 workers, and experienced a 71 percent employment rate after program completion. For the previous six month period only school-to-work transition acitivites were provided for approximately 400 trainees. (Training costs and average wages per participant were not provided for either time period.)

The DTR programs have trained a total of 136 participants, at a training cost of $561 per trainee. For these programs, the division has achieved a 91 percent placement rate, with a resulting average wage of $7.34.

Eligibility criteria for business participation in these programs are minimal and determined primarily by skill demand and worker availability. Training is not limited to any particular industry or type of job skill. Because industry in Delaware currently does not have a high-technology focus, traditional skills are more in demand, and little training is required for entry level positions. Training skills in high demand include: packaging machine mechanics, secretarial skills, and banking- related skills, the latter primarily due to recent changes in legislation regarding the banking industry and the resulting influx of banks into the state.

All types of workers are served through these programs, including blue-, white-, and pink-collar workers.

EVALUATION OF THE PROGRAMS. The intention of the programs' administrators is to provide simple, effective, and quick delivery of training services, and to do so with cooperative coordination among all administrative units. The programs are considered to be highly successful by several constituencies.

Administrative personnel take pride in their committment to and positive attitude toward the programs, and stress teamwork as a necessary component of successful implementation. Also significant is the apparent lack of "turf protection" among the administrative units. In addition, one comparative advantage of Delaware's small size is the ability of staff members to become well acquainted with the available pool of qualified trainers in the state, thereby facilitating the speed and appropriate design of training programs.

Employers have communicated a highly positive attitude toward Delaware's programs, especially toward the customized training programs administered through DTR. In fact, the DTR programs are actively promoted by the EMPLOYERS who have benefitted from them: they are "selling the state like crazy."

Small business, however, has expressed a concern that it is being unduly burdened by a levy which it perceives to be benefitting banks and big companies only. The DTR believes that this is a misperception which is based on a lack of information about available services, and has designated it as a marketing problem to be remedied by more effective public relations.

However, one minor technical problem has marred the success of the programs from the perspective of the business community. In order to comply with the law, companies must complete two separate forms and write two separate checks for the required Unemployment Insurance funds. The stated preference of businesses is to eliminate this duplication of effort and resources.

In general, the business sector has NOT complained about the level of the tax, and actually felt unburdened when the amount of the levy was reduced from 0.6 percent to the current level of 0.1 percent.

Among the programs' labor constituency, AFSCME has registered its approval for the state employee retraining programs, and is represented on the retraining proposal review commimttee for those programs. Thus far, there has been little reaction from other union groups.

SOURCES: Ms. Jan Robinson, of the Delaware Development; Office; Ms. Jane Drake, of the Department of Labor; and the Delaware statutes.

Annual Payments of Contributing Employers to the
Kansas Unemployment Insurance Fund

Total Contributions Received*		
1981	-	$ 86,275,377
1982	-	100,891,804
1983	-	127,534,151
1984	-	171,540,158
1985	-	170,152,872

Maximum Tax Rates		
1981	-	3.80%
1982	-	4.30
1983	-	6.48
1984	-	5.13
1985	-	4.80
1986	-	4.40

* This information includes information for reimbursing accounts.

Source: The Research Division of the Kansas Department of Human Resources.

KIT - FY86

Company	Town	KDOC	Voc-Ed	Total	Jobs	New/ Expansion
Labels Unlimited	Lawrence	$ 10,640	$ -0-	$ 10,640	24	New
Dayco Corp.	Fort Scott	-0-*	58,669	56,669	*	New
Marley Homes	Osage City	-0-*	13,932	13,932	*	New
Southeast Mfg.	Neodesha	15,360	25,078	40,438	35	Expansion
Sallie Mae**	Lawrence	28,000	23,760	51,760	60	Expansion
Williams Foods	Lenexa	14,400	10,584	24,984	25	New
Walker Division	Manhattan	12,800	15,995	28,795	30	New
General Motors**	Kansas City	25,000	27,000	52,000	50	Expansion
El Dorado Motor	Salina	12,480	14,830	27,310	90	New
Dayton Industries	Lenexa	22,000	25,056	47,056	55	Expansion
Continental Healthcare	Overland Park	15,000	50,750	65,760	56	Expansion
Casework Concept	Chanute	38,800	-0-***	38,800	100	New
Maric Packaging	Pittsburg	18,367	3,900	22,267	20	New
Murphy Industries	Junction City	19,000	-0-***	19,000	150	Expansion
Tri-Fiberglass	Junction City	-0-	5,102	5,102	30	New
		$231,847	$272,666	$504,513	725	

* Job figures for Dayco (140) and Marley (90) are listed under FY85 totals. KDED's portion of the Dayco and Marley projects were funded with FY85 special appropriation funds.

** These projects received additional funding via Voc-Ed's Carl Perkins Fund (Sallie Mae-$26,000 and General Motors-$72,520.50).

*** Voc-Ed portion comes out of FY87 funds (Casework-$12,100 and Murphy-$13,608).

Prepared by Kansas Department of Commerce, Industrial Development Division, March 2, 1987.

Attachment 2
03/02/87

(M)

Attachment 3
03/02/87

FY87 INDUSTRIAL TRAINING

Company	Product	Community	New/ Expanding	# Trainees	New Jobs	KDOC (KIT)	Voc-Ed	JTPA(c)	Status
General Motors(a)	Auto mfg.	Kansas City	Expanding	3,911	0	$264,464	$ 51,840	-0-	Underway
Ag-Dynamics	Sunflower Seed Processing	Goodland	New	15	15	11,997	5,076	$ 3,440	Underway
C-E Enterprise	Metal Fabrication	Enterprise	Expanding	87	57	26,989	33,060	23,000	Underway
Met-First	Financial Services	Overland Park	New	75	75	39,724	18,792	-0-	Completed
Emporia Detroit Diesel	Diesel Engine Overhaul	Emporia	Expanding	40	10	9,000	7,776	8,000	Underway
Heartwood Cabinetry	Wood Cabinet Mfg.	Iola	Expanding	15	15	21,100	26,136	5,460	Underway
Mineral-Right	Zeolite Mfg.	Phillipsburg	New	15	15	5,337	-0-	16,430	Underway
Myron's Dental	Dental Products	Kansas City	Expanding	10	10	11,800	10,972	12,000	Underway
C-E Raymond	Metal Fabrication	Concordia	Expanding	93	20	10,312	11,832	8,600	Underway
Orthopedic Casting Lab.	Orthopedic Goods Mfg.	Eudora	Expanding	20	20	14,450	16,537	10,000	Underway
Teledyne, Inc.	Jet Engine Repair	Independence	New	50	50	32,600	79,488	20,000	Underway
BMB Company	Metal Fabrication	Holton	Expanding	77	20	-0-	12,693	10,000	Underway
Student Loan Marketing Assoc.	Financial Services	Lawrence	Expanding	75	75	13,920	22,378	30,000	Underway

Company	Product	Community	New/ Expanding	# Trainees	New Jobs	KDOC (KIT)	Voc-Ed	JTPA(c)	Status
J.I. Case	Metal Fabrication	Wichita	Expanding	180	160	-0-	118,152	30,000	Planning Stage
Aero Standard Industries	Jet Engine Trailers	Chanute	New	28	28	4,000	33,372	20,000	Underway
Casework Concept	Wood Products Mfg.	Chanute	New	(b)	(b)	-0-	12,100	-0-	Underway
Murphy Industries	Electronic Assembly	Junction City	Expanding	(b)	(b)	-0-	13,608	20,000	Underway
Continental Extrusion	Printing	Hutchinson	New	30	30	-0-	30,000	(e)	Planning Stage
DuPont	Mfg. Bumpers	Kansas City	New	50	50	-0-	32,000	(e)	Planning Stage
TOTAL				4,691	650	$465,693(d)	$535,812	$216,930	

(a) General Motors total FY87-88 training needs total $891,304; KDOC/Voc-Ed have contracted for $316,304 thus far.

(b) FY86 projects - Voc-Ed used FY87 funds for their portion; KDOC's portions were $38,000 - Casework (100 trainees) and $19,000 - Murphy Industries (150 trainees).

(c) This column represents projected training expenditures by Department of Human Resource programs -- Job Training Partnership Act (JTPA), Rural Employment Assistance Program (REAP), and the Veterans Program. Unlike KDOC and Voc-Ed monies which are committed upfront at the beginning of a training program, JTPA and other on-the-job training (OJT) funds are committed on an individual trainee basis as JTPA-eligible employees are hired during the training period. Firm numbers will be available at the end of each training project.

(d) The balance of the FY87 allocation - $34,307 - will be used for General Motors.

(e) Unknown at this time.

Prepared by Kansas Department of Commerce, Industrial Development Division, March 2, 1987.

(4)

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

HB 2434 & HB 2515

March 2, 1987

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Economic Development

by

Rob Hodges
Executive Director
Kansas Industrial Council

Mr. Chairman, members of the Committee, I appreciate the opportunity to appear today to present the Chamber's concerns regarding the proposals contained in House Bills 2434 and 2515. In general terms, the Chamber opposes the use of the unemployment insurance taxing mechanism as a vehicle for raising money for <u>any</u> purpose other than payment of administration and benefits for unemployed workers. Please note, however, that the Chamber is not opposed to establishment of a retraining program and the funding of such a program, as long as that funding comes from a source other than the unemployment insurance, or unemployment compensation, system.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Attachment 4
03/02/87

The KCCI Major Legislative Objective which addresses Unemployment Compensation for for 1987 speaks directly to the proposal contained in lines 0021 and 0022 of HB 2434. Those lines read in part, "In addition to contributions required by the employment security act...". Our Major Legislative Objective notes the Chamber opposes any use of unemployment compensation tax revenues other than for the payment of benefits. In addition to the opposition of this policy proposal, let me outline other problems I see in the bill.

On line 0022, the bill specifies that "contributing employers" will be the subjects of the "assessment" called for in line 0023. Why only those employers? Why not rated governmental employers and reimbursing employers? If establishment of a retraining fund is a good policy decision for the state, why should the funding mechanism be restricted to only one part of the work force?

Turning to subsection (b) of Section 2 of the bill, beginning on line 0057, the bill begins to address the expenditure of funds. As stated, the funds would be used only for retraining and administration. KCCI would like to know if an estimate has been made as to how much the administration will cost? Also, the fund would be collected each year, but there is no provision calling for exhausting its balance each year. Is the fund to grow or to be used? If there are not enough approved programs to use all the money in the fund, why should another $2,000,000 in assessments be generated the following year? The income would be "capped" at $2,000,000 in any year with any excess being credited to the employment security fund. But such a credit would not be reflected in an employer's experience rating. Our unemployment compensation system is an insurance program which utilizes a measure of experience to help determine future taxes. Employers would prefer to, and should, have any taxes they pay reflected in their future tax rates.

As to the $2,000,000 "cap," according to the Department of Human Resources, using taxable payrolls of contributing employers for fiscal year 1986, the program envisioned in HB 2434 would have resulted in collection of $2,301,550 in "assessments." In other words, the funding mechanism would have over-collected by over 15% for a program which, as far as we know, has no approved expenditures for the money. It seems to me that we should start any such venture based on an "assessment," but that it should be an "assessment" of need rather than an "assessment" on unemployment compensation taxes before we even know what we're going to do with the money.

Please keep in mind, the Chamber is opposed to the concept to using U.C. money for non-U.C. purposes. But our suggestion for a better assessment of need might lead to a better suggestion for funding, too.

Turning to HB 2515, the Chamber is concerned about several terms and phrases used in the bill. The bill talks about employees "likely to be displaced." Who would make that determination? The definition of "restructuring industry" speaks to "incorporation of existing technology" or "development and incorporation of new technology." The first phrase suggests an industry which is seeking to retool, to try and maintain its share of the market. The phrase regarding "development and incorporation of new technology" seems to speak to research and development type companies. That appears to run counter to the concept of retooling and retraining.

The bill also speaks to "primary industries" and to the secretary of commerce "assigning priorities." What are "primary industries?" Does the term mean only manufacturing such as automobiles or airplanes? Is agriculture an industry which would fall under this definition? Would a retailer, part of the retail "industry," qualify for retraining funds to educate employees about a new cash register system? Regardless of what this Committee does with this bill, it seems that some of these questions should be answered. If the bill pertains to manufacturing, it should specify manufacturing.

In closing, let me point to a survey of our members about retraining. According to the results of a survey which proposed generally what is contained in HB 2434, 76% of KCCI members opposed imposition of a surcharge, an "assessment." 24% favored the concept. I think it's important not to jump to the conclusion that this was a knee-jerk response to the question. On a related question about using U.C. funds for maintenance of the Job Service program, our members were even more opposed, 92% opposed to 8% in support. Our members read the survey and understand the issues in question. On their behalf, I hope you'll find another funding mechanism for any retraining program, industrial or otherwise.

Kansas Chamber of Commerce and Industry

Questionnaire

YOU ARE ENCOURAGED TO TAKE THE FEW MINUTES NECESSARY TO COMPLETE THIS QUESTIONNAIRE AND RETURN IT TO KCCI TODAY.

YOUR RESPONSE ON THESE TOPICS WILL BE VERY HELPFUL TO KCCI IN EITHER THE FORMATION OF NEW LEGISLATIVE POLICIES, THE STRENGTHENING OF EXISTING LEGISLATIVE POLICIES, OR THE DEVELOPMENT OF PROGRAMS TO HELP ITS MEMBERS. IT IS IMPERATIVE THAT THE BUSINESS POINT OF VIEW BE TAKEN INTO CONSIDERATION BEFORE DECISIONS ARE MADE IN TOPEKA OR WASHINGTON, D.C.

INCLUDED ON THE BACK OF THIS FORM ARE THE RESULTS OF THE LAST QUESTIONNAIRE.

(Detach here and return)

QUESTION 1

Former Gov. John Carlin formed a Kansas Liquor Review Commission in October, 1985 to review and analyze the alcohol beverage control laws of Kansas. The group, in responding to their charge, made recommendations which will be considered by the Kansas Legislature in this, and future sessions. One recommendation is that reciprocity among all class B (for profit) clubs should be eliminated. This would include counties which passed liquor-by-the-drink as well as those that did not. Do you feel that:

___ the current system of reciprocity be done away with

___ the current method of reciprocity be kept

___ the current system of reciprocity be done away with in 1989 allowing counties which did not pass liquor-by-the-drink to hold another election in 1988

QUESTION 2

The Kansas unemployment compensation tax system, which is currently used exclusively to generate funds to pay unemployment benefits to eligible claimants, is being promoted as a potential funding source for two non-benefit programs. How do you feel about the following two proposals dealing with the Kansas unemployment compensation system?

A. Imposition of a .04% surcharge on all unemployment compensation taxes paid by positive account balance employers to establish an industrial retraining fund to finance reeducation of displaced workers. The employers' surcharge would amount to $3.20 annually for each employee earning more than $8,000 per year. The fund would be limited so that no more than $2 million would be collected annually.

24% Support

76% Oppose

B. Annual transfer of up to .5% of the current year trust fund balance to finance administration of the Kansas Job Service program, used by some employers as their employment office for potential employees. This proposal would not be a surcharge, but would be taken from previously collected employer contributions to the fund. There is a probability that this action would be found to be out of conformity with federal guidelines established to govern how trust funds may be used, resulting in a loss FUTA credits for Kansas employers and a penalty of several million dollars.

8% Support

92% Oppose

RETURN TO: KCCI, 500 BANK IV TOWER, TOPEKA, KS 66603 BY FEB. 27.

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SURVEY RESULTS
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In responding to their last KCCI questionnaire, 80% of KCCI members indicated they would, or have, used existing services to assist an employee with a drug or alcohol-related problem. Nine percent said they would attempt to assist with an in-house program, 11 percent indicated they would dismiss the employee, while none said they would overlook the problem. Based on this information, KCCI, in conjunction with the Kansas Department of SRS-Alcohol and Drug Abuse services launched a drug and alcohol abuse assistance program.

On the product liability question, 94% of those responding said a manufacturer or seller of a product should be liable for injuries resulting from the use of a product only if the product user or plaintiff can prove that either the company was negligent in the production or distribution of the product or the product itself was defective and unreasonably dangerous.