

Approved February 11, 1988  
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Phil Kline  
Chairperson

3:40 ~~am~~/p.m. on Wednesday, January 20, 1988 in room 423-S of the Capito

All members were present except: Representative Barkis - Excused

Committee staff present:

Jim Wilson, Revisor  
Lynn Holt, Research  
Elaine Johnson, Secretary

Conferees appearing before the committee:

Dr. Chuck Krider, Institute for Public Policy and Research, Univ. of Kansas  
Steve Jack, Department of Commerce  
Rob Hodges, Executive Director, Kansas Industrial Council

Chairman Phil Kline called the meeting to order and asked Lynn Holt to brief the committee on H.B. 2515, which concerns KIT and KIR programs. Chairman Kline also announced to the committee that we were not considering the bill in their books but the revised copy handed out from the Joint Economic Development Committee.

Ms. Holt said that H.B. 2515 would statutorily establish the Kansas Industrial Training (KIT) program, and Kansas Industrial Retraining (KIR) program, to be administered by the Secretary of Commerce. Since FY 1973, the KIT program has provided state-subsidized customized training for prospective employees of new and expanding businesses in the state. Training services are currently provided at no cost or on a shared cost basis to the industry contracting for such services. The financing arrangement is determined through negotiations between the Secretary of Commerce and the recipient industry. Whereas the KIT program has been funded through annual appropriations, it has never been established by statute. There is also no state-supported industrial retraining program.

The first conferee was Dr. Krider who testified in support of H.B. 2515. The proposed legislation was initiated by The Task Force on Business Training of the Legislative Commission on Economic Development. The major recommendation of that Task Force was the establishment of a job training program to assist existing Kansas companies undergoing major changes in technology or products. Such a program would be entirely consistent with the state's Economic Development Strategy. See (Attachments 1 and 2).

Discussion followed.

The second conferee was Steve Jack with the Department of Commerce who testified in support of H.B. 2515 as outlined in the Interim Committee Report of the Joint Committee on Economic Development. Suggestions to facilitate the implementation of the industrial training programs outlined in H.B. 2515 are in (Attachment 3).

Discussion followed.

The last conferee was Rob Hodges who came prepared to testify on old H.B. 2515, see (Attachment 4). After reading the revised copy of H.B. 2515 he said that they concur and support the concept and proposed bill as amended.

Chairman Kline then requested that staff prepare a balloon on KIT and KIR as one bill, encompassing the recommended amendments.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

room 423-S, Statehouse, at 3:40 ~~xxx~~ p.m. on Wednesday, January 20, 198

The meeting was adjourned at 4:35 p.m. The next meeting is scheduled for Thursday, January 21, at 3:30 p.m.

*Phil Kline*

Date: 1/20/88

QUEST REGISTE

HOUSE

Committee on Economic Development

NAME

ORGANIZATION

ADDRESS

CHARLES KRISHN

KU

Ken Baker

Private Career Schools

Topeka

David DePue

State Council on Vocational Ed Topeka

Sid Snider

D-pt. Human Resources

Topeka

DWAYNE ZIMMERMAN

KDOC

TOPEKA

Rob Hodges

KCCI

Topeka

John Peters

Ks Assn of Private Career Schools

Topeka

TESTIMONY ON  
THE KANSAS INDUSTRIAL RETRAINING PROGRAM  
H.B. 2515

presented to the  
House Committee on Economic Development

presented by

Dr. Charles Krider  
Professor, School of Business  
The University of Kansas  
January 20, 1988

prepared by:  
The Institute for Public Policy  
and Business Research  
University of Kansas

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*House Eco Devs*  
*Attachment 1 1/20/88*

Mr. Chairman, I appreciate the opportunity to testify in support of H.B. 2515. The proposed legislation was initiated by The Task Force on Business Training of the Legislative Commission on Economic Development. The major recommendation of that Task Force was the establishment of a job training program to assist existing Kansas companies undergoing major changes in technology or products. Such a program would be entirely consistent with the state's Economic Development Strategy.

In a study conducted last year for the Department of Labor, the Rand Corporation disclosed two important facts. Nearly 40 percent of U.S. workers have taken part in training programs while on the job (Brody, Fortune, 6/8/87). Moreover, the biggest clients of the nation's community-technical college systems are U.S. companies seeking to supplement their in-house training programs with courses offered through the state educational system (Ibid.). Illinois, Missouri and North Carolina are a few of the states that have already committed substantial resources to training and retraining programs for their state's work force.

House Bill No. 2515 would establish by statute two such programs for Kansas: the Kansas Industrial Training Program for new or expanding firms, and the Kansas Industrial Retraining Program (KIR), which provides customized retraining for firms that are introducing new technologies or new products. This bill would contribute to the economic development potential of Kansas because it encourages employers to introduce new products and technologies rather than look out of state to recruit such resources. Furthermore, KIT and KIR will help to create new jobs

resources. Furthermore, KIT and KIR will help to create new jobs and retraining services that will enhance skills throughout the Kansas labor force. I, therefore, recommend the enactment of H.B. 2515 and the establishment of the KIT and KIR programs.

The importance of training and retraining workers is achieving great recognition across the United States. Reasons for this include:

- \* steady increases in the complexity of high-technology occupations, which requires continual skill enhancement for the nation's work force (report to the Business Training Task Force of the Kansas Legislature);
- \* declining youth populations, which causes increased competition for entry-level workers and occasions higher priority status for retraining older workers (Berstein, Business Week, 8/10/87); and
- \* policy discussions that link job training issues to the economic well-being of a state (report to the Business Training Task Force of the Kansas Legislature)

These same factors are at work in Kansas. Labor market projections from the Kansas Department of Human Resources predict that some of the fastest growing job categories in the state will be in high-technology fields (see Table 1). Population trends for Kansas show a decline in youth groups through the year 2000 (see Table 2). And, as we are all aware, economic development issues have been extremely important for Kansas policymakers in the past two years (Kansas Economic Development Report, Volume II).

In FY 86-87 Kansas spent \$0.21 per capita for industry-specific training programs (see Table 3). In comparison with

other states, we are near the bottom of the list. For example, Indiana and Missouri spent \$2.26 and \$1.75 respectfully per capita in FY 86-87.

The growth capacity of a state's economy is heavily dependent on the ability of its industries to adapt to changing market conditions. And, to achieve successful adaptation, the state's work force must be versatile enough to accommodate any new production technologies. As changing technologies force worker adaptation, it becomes increasingly important for the state to invest sufficient resources into programs that develop the skills and knowledge necessary for a highly qualified labor force. KIT and KIR both meet this objective.

KIT provides easy access to training programs for companies that create new jobs. It is, however, used primarily to recruit firms into the state. But while KIT provides training for newly created jobs, it does not assist existing firms that are not expanding. H.B. 2515 would provide job training assistance to existing Kansas companies that are undergoing a major change due to the introduction of new technologies or new products. In the first instance as new technologies are introduced, and as the youth population decreases, state investment in retraining programs will be required to keep worker skills sufficiently up-to-date. In order to survive, Kansas industry must be technologically competitive, and the absence of retraining assistance may provide an incentive for businesses to move out of

Kansas when technology makes retraining necessary. Secondly, there are situations wherein a company may discover that new products must be manufactured or serviced in place of old. For example, a company that previously manufactured farm implements may find it competitively advantageous to switch to manufacturing automobile parts. KIT and KIR would provide job training assistance necessary to make this transition occur with a minimum amount of delay and inconvenience.

KIT and KIR are consistent with the state's economic development strategy. A comprehensive state strategy is composed of three major policy priorities: the availability of technology; financial capital; and a skilled labor force. Other economic development initiatives in Kansas are aimed at addressing technology and finance objectives. KIT and KIR recognize the importance of strengthening Kansas' human resources to where they are competitive with Kansas industry and the Kansas economy in global markets. This being the case, KIT and KIR deserve your considered attention regarding their role in economic development.



TABLE 1  
KANSAS  
SELECTED FAST GROWING OCCUPATIONS  
1982 to 1990

	Employment		Growth	Percent Change
	1982	1990	1982-1990	1982-1990
Office Machine Servicers.....	790	1,440	650	82.3
Computer Operators.....	2,470	4,200	1,730	70.0
Machine Assemblers.....	2,430	4,020	1,590	65.4
Electrical Engineers.....	1,230	1,980	750	61.0
Drill Press Operators.....	1,150	1,850	700	60.9
Systems Analysts.....	1,570	2,500	930	59.2
Lathe Machine, Metal, Operators.....	1,420	2,240	820	57.8
Machine Tool Operators.....	1,440	2,260	820	56.9
Electric Machine Equipment Assemblers	1,340	2,100	760	56.7
Machinists.....	2,160	3,370	1,210	56.0
Drafters.....	2,600	4,050	1,450	55.8
Civil Engineers.....	1,420	2,190	770	54.2
Welders.....	6,610	10,160	3,550	53.7
Electric and Electronic Assemblers...	3,750	5,570	1,820	48.5
Tool and Die Makers.....	1,510	2,240	730	48.3
Computer Programmers.....	2,100	3,090	990	47.1

Source: Kansas Department of Human Resources

TABLE 2  
PROJECTIONS OF KANSAS POPULATIONS BY AGE GROUP

<u>Age Group</u>	<u>1980 Actual</u>	<u>%</u>	<u>1990 Projection</u>	<u>%</u>	<u>2000 Projection</u>	<u>%</u>
Under 5	180,877	7.7	199,200	8.1	174,200	7.0
5-14	344,378	14.5	373,300	15.2	374,100	15.0
15-19	217,721	9.2	166,200	6.7	192,900	7.7
20-24	232,788	9.9	178,300	7.2	175,100	7.0
25-34	374,618	15.9	404,800	16.4	308,500	12.4
35-44	249,600	10.6	359,900	14.6	379,800	15.2
45-59	351,300	14.9	342,200	13.9	458,900	18.4
60-69	200,241	8.4	203,800	8.3	180,100	7.2
70 and Over	212,055	8.9	235,800	9.6	250,800	10.1
<b>Total</b>	<u>2,363,679</u>	<u>100.0</u>	<u>2,463,500</u>	<u>100.0</u>	<u>2,494,400</u>	<u>100.0</u>

Source: Department of the Census

TABLE 3

## STATE SUPPORTED INDUSTRY-SPECIFIC TRAINING PROGRAM(S)

Definition: The commitment of state funds to subsidize institutional and worksite skill training conducted on behalf of one or more employers to meet their current or anticipated production requirements.

<u>State</u>	<u>Population</u> (1980 Census)	<u>State</u> <u>Funding</u> (FY86-87)	<u>Per Capita</u> <u>Allocation</u> (FY86-87)
Indiana.....	5,490,224	\$12,400,000	\$2.26
Missouri.....	4,916,686	\$ 8,600,000	\$1.75
Michigan.....	9,262,078	\$12,939,800	\$1.40
Illinois.....	11,426,518	\$14,900,000	\$1.30
Ohio.....	10,797,630	\$11,000,000	\$1.02
North Carolina	5,881,766	\$ 5,300,000	\$0.90
Georgia.....	5,463,105	\$ 3,700,000	\$0.68
Alabama.....	3,893,888	\$ 2,400,000	\$0.62
Mississippi...	2,520,638	\$ 1,410,148	\$0.56
Virginia.....	5,346,818	\$ 2,358,291	\$0.44
Oklahoma.....	3,025,290	\$ 1,200,000	\$0.40
Louisiana.....	4,205,902	\$ 1,050,000	\$0.25
KANSAS.....	2,363,679	\$ 500,000	\$0.21
Kentucky.....	3,660,777	\$ 687,300	\$0.19
Florida.....	9,746,324	\$ 1,450,000	\$0.15
West Virginia.	1,949,644	\$ 267,147	\$0.14
Maryland.....	4,216,975	\$ 487,000	\$0.11
Texas.....	14,229,191	\$ 890,000	\$0.06

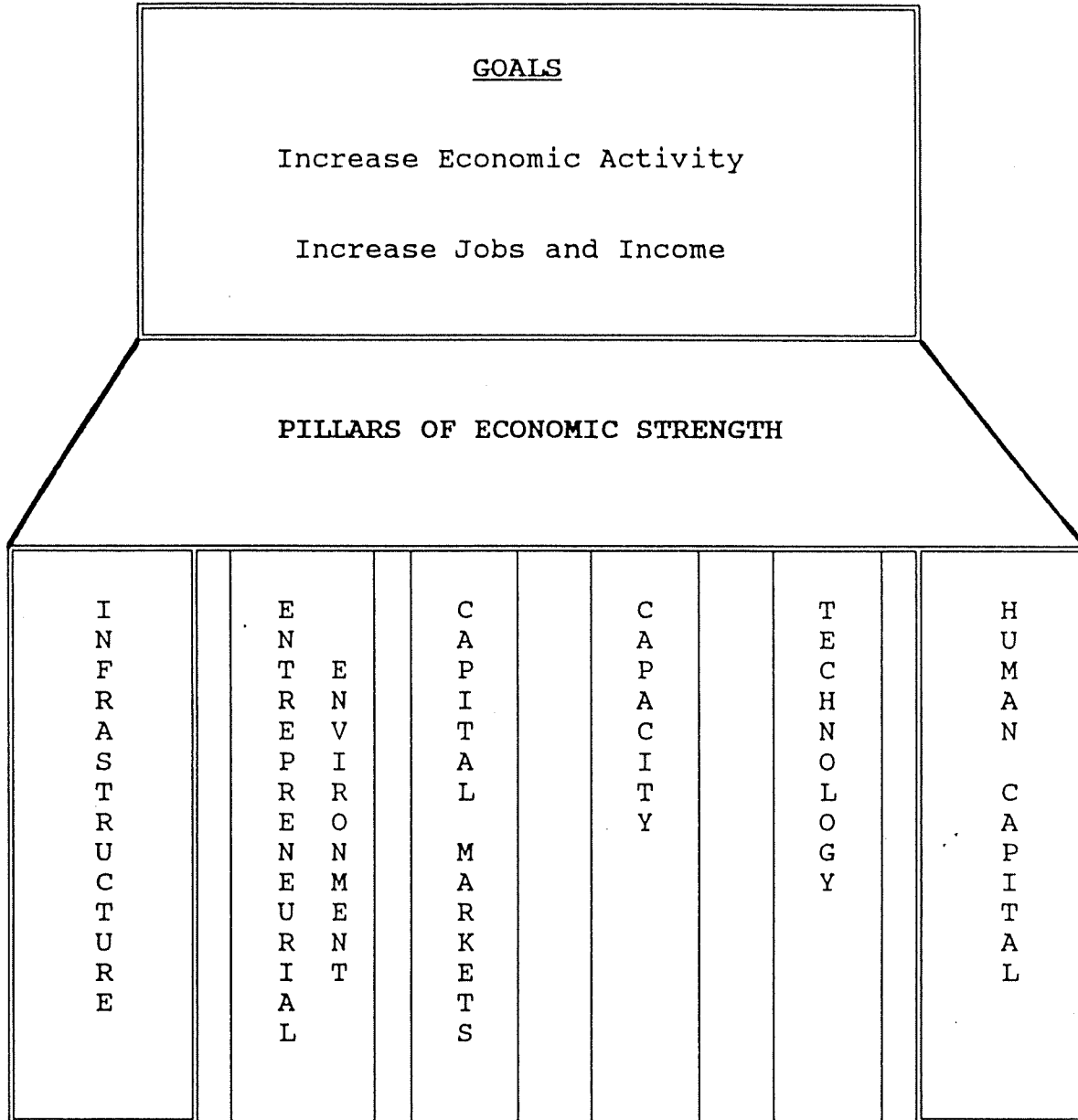
1. The summary is of state monies only; figures do not include federal funds/grants which are committed by the state to support the state's industry-specific training program(s).

2. The table does not include state funds which may be made available to support skills training for industry (especially vocational education upgrade activities); the table is based on state allocations to "industry-specific training programs."

Source: "Vocational/Technical Education And Kansas Economic Development" A Research Report prepared by the Institute For Public Policy and Business Research, The University of Kansas November 1987.

Proposal for Expenditure of  
Gaming Fund Revenues  
KANSAS INC.

FIGURE 1.  
Economic Development Goals and Pillars of Economic Strength



## 2. Customized Training

### Need

A major strength of Kansas is the perceived quality of its work force. By creating a program that uses and enhances that strength, the state will demonstrate to the business community its willingness to assist a firm's location or growth in the state. The skills required to compete, even in the same industry, change rapidly in this technological age, necessitating a state be prepared to adapt to these changes. Both the business community and the Kansas worker will benefit from a training program providing a climate conducive to business growth and curbing the out-migration of the state's skilled and young citizens.

### Initiative

This shared-cost customized training initiative for new or expanding or re-tooling industries in Kansas is a major component of the Gaming Fund recommendations. The program consists of two parts: 1) customized training for new and expanded industries through the Kansas Industrial Training (KIT) Program and 2) customized training for restructuring industries through the Kansas Industrial Retraining (KIR) Program. A specific employee training program would be developed by the firm requesting the assistance, with trainers or institutions to conduct the training identified and retained by the firm. Costs of an individual training program would be shared at a percentage rate between the state and the firm. Proposals will be reviewed using established criteria for evaluating training requests. The size of the state commitment to a firm would be limited only by the total funds available for the training.

### Gaming Fund Allocation

Kansas Inc. proposes that \$1 million be provided for this program from the Gaming Fund revenue. This amount would augment state funding of \$.5 million (FY87) targeted for industry-specific training programs. The total of \$1.5 million would place Kansas on a per capita basis at the mid-range of state supported training programs.<sup>1</sup> This allotment would represent an increase in industry-specific training programs of \$1.25 million over a three-year period. Such a commitment would send positive signals to the business community.

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<sup>1</sup> Bluegrass State Skills Corporation, "State Supported Industry-Specific Training Program(s)", 1987.

TESTIMONY

Presented to the House Committee on Economic Development

By the Kansas Department of Commerce

January 20, 1988

While a customized, industrial training program has never been formally established by the Legislature, state funds have been available through a line item appropriation, now identified as the Kansas Industrial Training (KIT) program, each year beginning in FY1973 to assist new and expanding industry. House Bill No. 2515 would formally establish KIT as well as establish a Kansas Industrial Retraining (KIR) program to assist those companies involved in restructuring their operations.

The Department of Commerce supports the intent of H.B. 2515 in establishing KIT by statute and in establishing the KIR program in the event the Legislature determines a need for a state-funded retraining program and an appropriate mechanism and source for funding such a program. The Department of Commerce concurs with the modifications to H.B. 2515 outlined in the Interim Committee Report of the Joint Committee on Economic Development to the 1988 Legislature (p. 57). In addition, we would like to offer a few suggestions which might facilitate the implementation of the industrial training programs outlined in H.B. 2515:

- 1) Since the Department of Commerce utilizes KIT as a job creation tool, line 32 should be amended to strike "operations" and insert "work force" to clarify that an expansion must include additional jobs.

*House Eco Devo*  
*Attachment 3*  
*1/20/88*

- 2) While the Department of Commerce is engaged in publicizing the KIT program and offering training assistance to industrial prospects as a job creation incentive, the agency does not actively pursue every new or expanding industry to "solicit" proposals, as many companies may create these jobs without requiring training assistance. We do consider proposals from any qualified industry and, therefore, would recommend amending line 50 to strike "solicit" and insert "consider."
  
- 3) Recognizing the scarcity of state resources and the role the Department of Commerce plays in providing economic development incentives to enterprises which are basic to the state's economic structure, lines 87 and 88 should be amended to read "programs available to all basic industries." This change would better reflect the current procedures of the KIT program and would more clearly reflect the intent of Senate Bill No. 470 introduced by the Joint Committee on Economic Development which defines basic industries.

The Department of Commerce does have one additional concern - that these training programs be industry driven. The Department does not now enter into contractual agreements with job training agencies directly. These agencies do refer industry to the Department and provide customized training services. The company is then reimbursed for training expenses through a contractual agreement with the Department. We would prefer, particularly in the case of KIT, that the present system be maintained. With regard to a retraining program, the Department of Commerce would like

to offer to assist the Committee with language to ensure that any new program also be industry driven.

In the event that this committee decides to change the role of job training agencies in H.B. 2515, we believe that these agencies will still have the flexibility to develop customized training programs for business. Since FY1982, the Kansas State Department of Education has co-funded KIT projects with the Department of Commerce utilizing a "KIT set-aside" of federal Carl Perkins Vocational Education Act dollars. Not only does this relationship leverage additional resources for new and expanding industrial training projects, it also allows increased linkages with local educational agencies. Recent efforts to coordinate with the Department of Human Resources has increased linkages between the Job Training Partnership Act program and KIT. It is our intention to continue this close coordination among agencies with any training or retraining program administered by the Department of Commerce.



# 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 2515

January 20, 1988

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 position on HB 2515, a bill proposing to establish the Kansas Industrial Training program and the Kansas Industrial Retraining program.

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.

In general terms, the Chamber supports the concept of HB 2515, but has substantial reservation about the funding source of the proposed Kansas Industrial Retraining program. If that funding is to come from the Kansas Industrial Retraining Fund as

*House Eco Devo  
Attachment 4  
1/20/88*

proposed in HB 2434, that is through an assessment on employers' unemployment compensation taxes, then we are opposed to that program. If, on the other hand, a more appropriate funding mechanism will be used, then we endorse the programs envisioned in HB 2515.

As this bill was discussed last session, there were a few questions raised. One such question was whether or not training should be restricted to "on-the-job" situations. Further, there was a question about the definition of "primary industries," as used in the bill. The Chamber would like to work with supporters of the bill in clearing up those questions prior to the bill's advancement from this committee.

Thank you for the opportunity to present our viewpoint. I'll attempt to answer any questions you may have.