

Approved _____

Date

2-21-89

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Senator Dave Kerr at _____
Chairperson

8:00 a.m./p.m. on February 15, 1989 in room 123-S of the Capitol.

All members were present except:

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Kansas Leg. Research Department
Carol de la Torre, Secretary to the Committee

Conferees appearing before the committee:

Merle Hill, Lobbyists for Kansas Association of
Community Colleges

Harland Priddle, Secretary of the Department of Commerce

Harry Falgren, Director, Kansas City Area Vocational
Technical School

Bill Berry, Director, Manhattan Area Vocational Technical
School

Tim Emert, State Board of Education

The Chairman advised the Committee that it would be hearing from conferees on Senate Bill 114, a bill requested by Merle Hill, Kansas Association of Community Colleges.

Senate Bill 114 - an act enacting the Kansas economic development incentives act; making and concerning appropriations for the fiscal year ending June 30, 1990, for the department of commerce; imposing certain restrictions and limitations, and directing or authorizing certain disbursements and acts incidental to the foregoing.

Merle Hill, Executive Director of the Kansas Association of Community Colleges briefed the committee on the bill, which would provide \$2 million for industrial training and training equipment for community colleges and area vocational technical schools. (Attachment 1)

The first conferee was Harland Priddle, Secretary of the Department of Commerce. His testimony is found in Attachment 2. He stated that before proceeding on SB114 the roles and responsibilities need to be defined. Kansas Inc. and the Board of Education have underway a year-long study of business trends. This study will be completed this year with interviews with every community college and vo-tech school and any other institution that could provide training support. He expects this study to identify specific capabilities, and roles to be established. He felt it was premature to proceed with this bill until the study is completed. The subject is

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ECONOMIC DEVELOPMENT

room 123-S, Statehouse, at 8:00 a.m./p.m. on February 15, 1989

vital, and the link between education and institutions like community colleges is vital to economic development. The Secretary also stated that the committee needs to look at the assignment of this bill. It may be more proper to be in the educational channels.

Senator Francisco requested a copy of the KIT and KIR expenditures to date.

Senator Kerr asked Secretary Priddle if there was \$250,000 in the KTEC budget for FY89 for the purchase of business training equipment. He was advised it had not been expended. Senator Kerr stated that he will address a letter to KTEC on the Committee's behalf requesting the status of this money and what they expect to do with that money.

Senator Salisbury requested a copy of the legislation passed last year that authorized KTEC to distribute money for its business training equipment.

The next conferee was Harry Falgren, Director, Kansas City Area Vo-Tech School. He stated that he supported this legislation. (Attachment 3)

Bill Berry, Director, Manhattan Area Vo-Tech School, was unable to be present to testify due to bad weather. His testimony will be sent to the Committee for their review. (Attachment 4).

Tim Ement - Attachment 5
This concluded the hearing on Senate Bill 114.

The Chairman advised that the Committee would continue to work Senate Bill 101, a bill raising the cap on venture investments eligible for 25% tax credit, from \$24 million to \$40 million. Committee members were given the 1988 annual report on Certified Venture Capital Companies and Local Seed Capital Pools. Senator Kerr pointed out that this was handed out because it was requested by a Committee member for information on what types of investments are being made.

Senator Karr asked how long a certified company could hold money before they need to make an investment. Rich Bailey, Dept. of Commerce, advised that in five years they must have 30% invested, in seven years 50%, and in nine years 75%.

Senator Winter moved to amend the bill to provide for set aside for a seed capital program of \$5 million. The amendment died for lack of a second.

Senator Vidricksen moved and Senator Salisbury seconded a motion to increase the \$40 million figure in lines 42 and 88 to \$50 million. After discussion Senator Winter stated that he felt we needed to first decide the policy questions about how much we reserve for seed capital. Senator Vidricksen reminded the Committee that KTEC recommended \$15 million be set aside.

After discussion, the motion was defeated.

There being no further business, the meeting was adjourned.



KANSAS ASSOCIATION OF COMMUNITY COLLEGES

Columbian Title Bldg., 820 Quincy • Topeka 66612 • Phone 913-357-5156

W. Merle Hill
Executive Director

To: Senate Committee on Economic Development

From: Merle Hill, Executive Director
Kansas Association of Community Colleges

Date: February 15, 1989

Subj: Senate Bill No. 114, an act enacting the Kansas Economic
Development Incentives Act

Senate Bill No. 114 was introduced by the Senate Committee on Education at the request of the Kansas Association of Community Colleges. The genesis of this bill was a bill the Association requested in 1985, House Bill No. 2538, whose purpose was to provide start-up funding to enable the community colleges to work more closely in training and retraining programs with business and industry. The funding request in 1985 was for a modest \$150,000.

In 1986, the Legislature focused much of its effort on economic development, not only in the January-April session but also, through task forces appointed by the Legislative Economic Development Commission, from June through December. One of the task forces, the Business Training Task Force, was chaired by Senator Salisbury.

Two of the consultants to that Task Force, Dr. Charles Krider (Institute for Public Policy and Business Research, The University of Kansas) and Roger Vaughn (Roger Vaughn Associates, Gray, Maine), continually emphasized the need for Kansas to invest in the future by creating new jobs and by investing wisely in human capital. As Dr. Krider quoted, "The major source of growth in all states is the rate of improvement in the education and skills of the work force. Development depends on the rate at which we accumulate human capital." (The Wealth of States, Vaughan, Pollard and Dyer, 1984)

On December 9, 1986, the Task Force adopted recommendations from both Krider and Vaughn to make a \$3-million commitment to the creation of a customized training program and \$2 million annually for a competitive capital outlay fund for the 89-

*See Eco-Dev
2-16-89
Attachment 1*

quisition by purchase or lease of instructional equipment by vocational schools and community colleges.

KIT- and KERR-funding has been increased significantly since 1986. I understand the some \$2 million in these and Carl Perkins-funds, available for fiscal 1989, were expended by November, 1988, and an additional \$800,000 has been requested as a supplemental.

As the pool of funds expands, the demand for the funds also increases. The community colleges and vocational schools need additional funds not only for start-up costs for customized training programs but also for major equipment purchases, trainers' salaries and, in some cases, upgrading the expertise of those who will do the training. Providing additional funds for these purposes will not be throwing money at the problem but will be an investment in that all-important human capital.

The community college presidents and vocational school directors recognize that Commerce is not set up to deal with competitive grants, but the State Department of Education, with which both have an intimate affiliation, is. It is not nearly so important to have Commerce administer funds available for the colleges and vocational schools to use in customized training programs as it is to have such funds available to assist business and industry.

We want to continue with the Legislature the dialogue about additional customized training funds being available to enable more Kansans to be trained or retrained. In 1987-88, the community colleges and vocational schools served over 1,150 businesses/ industries and more than 44,400 employees by providing more than 1,124,000 hours of instruction to Kansans seeking either new or upgraded skills or to businesses and industries seeking customized training. With more adequate funding made available, they can do even more.

We believe the community colleges and vocational schools are Kansas' best defense against an economic downturn and its best offense for a brighter economic future. To paraphrase Vaughan, Pollard and Dyer, the rate at which such funding is made available for investment will determine the rate of accumulation of human capital in Kansas.

Testimony

Presented to:

The Senate Economic Development Committee

on Senate Bill 114

by

Harland E. Priddle
Secretary of Commerce

February 15, 1989

*Sen. Econ. Dev. Com.
2-16-89
Attachment 2*

Good morning ladies and gentlemen. I am happy to be here this morning to present testimony on Senate Bill 114. The basic intent of this bill appears to be the classification and establishment of vocational education institutions as a participating partner in economic development. We recognize the role community colleges and vocational-technical schools currently play in the training of our industrial workforce. Funds provided through the Kansas Industrial Training/Retraining Program (KIT/KIR) have been utilized at these institutions to train new employees of industries locating in the state. Community colleges and vo-tech schools have accessed our funds in 25 out of 29 KIT/KIR projects in FY 89 and 23 out of 29 projects in FY 88. These institutions provide equipment, teaching skills, and technical assistance necessary to this training task.

We also recognize a need to upgrade this equipment and teaching expertise. The legislature has already addressed this need through the creation of a Training Equipment Grant program within the Kansas Technology Enterprise Corporation (KTEC). This program will make available approximately \$250,000 to two year institutions for the upgrading and modification of equipment needed for training. KTEC envisions that five or six projects can be completed in the first year. ✓

Before proceeding into a program as outlined in SB 114, specific roles and responsibilities need to be defined. Kansas, Inc. and the Board of Education are funding a study of the Kansas Business Training System under a contract with the Institute of Public Policy and Business Research at Kansas University. This year-long study will be completed in November, 1989. Interviews are being conducted with all of the 19 community colleges and with most of the vo-tech schools to assess the role they are playing in economic development. We expect this study to identify specific needs and requirements to enhance the contributions of our two year institutions. Until that study is completed, we believe it would be premature to make appropriations of this magnitude. Policy recommendations from this study should also address the role of various state agencies in business training and economic development, including that of the Department of Commerce, the Department of Human Resources, and the Board of Education. Senate Bill 114 would vest the authority for administering these grants in the Secretary of Commerce; I am not sure that responsibility is appropriate and I believe that further study needs to be done to determine how such an expanded role for community colleges should be administered.

Once this economic development role is identified, funding priorities can be addressed and properly programmed and phased into the Board of Education budgeting process to allow vocational education institutions to adequately support their communities and the state in economic development.

KIT/ KIR Training Assistance

FY 89: 29 projects
15 Community College
10 Area Vocational Technical Schools (AVTS)
2 Unified School Districts (USD)
1 Regents Institution
1 Direct from Commerce (no local education agency
(LEA) involved)

FY 88: 29 projects
14 AVTS
9 Community Colleges
2 Regents Institutions
1 USD
3 Direct from Commerce (no LEA)

2 Year TOTAL 58 projects
24 Community Colleges
24 AVTS
3 USD
3 Regents Institutions
4 Direct from Commerce (no LEA)

Either provided technical assistance in implementing a KIT program training project or provided actual training services to the company through KIT

*From Harry Falgout, Director
K.C. Area Vo-Tech
School*

Statement of Support for
Senate Bill No. 114
"Economic Development Incentives Program"

The training needs of Business and Industry are evident everywhere. Materials, processes and technologies are changing. Businesses are relocating, expanding, evolving and developing. All these changes require training.

The training institutions in the State of Kansas are ready, willing and capable of assisting businesses with most of their training needs. Being able to communicate those services to the businesses in need at the right time is a major challenge.

I think, particularly in the metropolitan areas, that local chambers of commerce, economic development committees or other community leaders are not always aware of the capability of their training institutions. Schools having funds allocated to them for this special incentives program should be able to break that knowledge barrier.

I hope that this program will link up with other economic development initiatives and that we can truly deliver a service to Kansas industry and business.

I cannot speak today for the Kansas Association of Area Vo-Tech Schools, however, I am certain that each individual school is anxious to help in any way possible and be involved. We feel that we can provide needed services if we can reach those businesses in need.

This past year (1987-88) the Kansas City AVTS provided training for industry that equated to operating a high school with an enrollment of over 325 students for a full 9 months (351,000 hours of instruction). Much of this was paid for 100% by industry. This year we have provided training for Procter and Gamble, General Motors, Sealrite, Champ Service Line and others. We have had contacts about training from Colgate-Palmolive and the mechanical inspectors.

Just recently the AVTS became involved in training personnel for Automobile Specialty Company and Martin Gillet Co.

The Automobile Specialty Company, Inc., is a specialty vehicle converter for the automotive market. The Kansas City, Kansas facility will supply components to G.M. as well as convert the Grand Prix to the Grand Prix Turbo. To accomplish this, ASC will staff the Kansas plant with approximately sixty (60) full-time employees. It should also be noted that the company will be expending approximately \$13,000,000.00 for R & D and facilitization of the Kansas City Plant.

*Sen Eco - Alvo
2-16-89
Attachment 3*

The Martin Gillet & Co., Inc., manufactures and packages dressings, sauces, mayonnaise and specialty food products for private label, food service and industrial customers. The Kansas City facility will employ approximately 60 employees full time.

I support Senate Bill No. 114 if it will give us the help we need to provide a more complete service to the businesses of Kansas.

SENATE ECONOMIC DEVELOPMENT COMMITTEE
February 15, 1989
SB 114

My name is Bill Berry, I am the Director of the Manhattan Area Vocational-Technical School. I am here to speak in favor of SB 114.

Presently, 80% of the jobs available in our state do not require a college degree. Therefore, Area Vo-Tech Schools and Community Colleges in Kansas are at the forefront of the economic development thrust. During the 1987-88 school year, AV-T's and CC's combined provided needed training for Kansas business and industry with the following results:

- > 1,161 businesses served
- > 44,491 employees trained
- > more than 1.1 million hours of training provided

If Kansas Area Vo-Tech Schools were able to apply for and receive incentive grants for economic development activities, this money would then be used to enhance and improve a system that is already showing a great deal of success with very little funding. The grant money would be used for the following economic development incentives (according to SB 114):

- > equipment and supplies
- > faculty development and training
- > other activities as determined by the particular schools' governing body

Manhattan Area Vocational-Technical School

SB 114 would provide a process for eliminating a gap that presently exists in the system. This is a definite and purposeful proposal.

I support SB 114.

Thank you.

Kansas State Board of Education

Kansas State Education Building

120 East 10th Street Topeka, Kansas 66612-1103

Mildred McMillon
District 1

Connie Hubbell
District 4

Bill Musick
District 6

Evelyn Whitcomb
District 8

Kathleen White
District 2

I. B. "Sonny" Rundell
District 5

Richard M. Robl
District 7

Timothy R. Emert
District 9

Paul D. Adams
District 3

February 15, 1989

Richard J. Peckham
District 10

TO: Senate Committee on Economic Development
FROM: State Board of Education, *TIM EMERT*
SUBJECT: 1989 Senate Bill 114

My name is Tim Emert, State Board of Education Member from Independence. It is a pleasure for me to appear before this Committee on behalf of the State Board.

The State Board of Education has been and continues to be a strong supporter of the economic development initiatives as this relates to Kansas community colleges and area vocational-technical schools. It is our opinion that industries locate in Kansas partially as a result of the high quality educational programs available to them in our institutions of higher education.

Senate Bill 114 will provide additional funding to the Kansas community colleges and area vocational-technical schools to assist in further developing economic incentives for the business and industry who choose to locate in our state. We believe this would have a positive effect on the Kansas economic community.

The State Board of Education hopes that this bill will not have an adverse effect on the community college five-year plan which is a high priority and should be approved by the 1989 Legislature. We also would not want this bill to have an adverse effect on the Kansas Industrial Training Program. This particular appropriation and program is administered by the Secretary of Commerce. Secretary Priddle has been very cooperative with the State Department of Education in the distribution of the KIT funds.

The State Department of Education is currently cooperating with the Secretary of Commerce and Kansas, Inc. in a business training needs assessment. Upon completion of that study, information will be available that will assist the state on the training needs of Kansas.

In reviewing Senate Bill 114, the State Board of Education questions whether it should be administered by the Secretary of Commerce or the State Board of Education. It is the State Board's desire to cooperate in this endeavor regardless of the administering agency.