

Approved _____
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Jerry Moran at
Vice-Chairperson

8:00 a.m./~~XX~~ on April 2, 1991 in room 123-S of the Capitol.

All members were present except:

Senator Dave Kerr (Excused)
Senator Wint Winter (Excused)
Senator Alicia Salisbury

Committee staff present:

Bill Edds, Revisor of Statutes' Office
Lynne Holt, Legislative Research Department
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Laura Nicholl, Secretary, Department of Commerce
Dr. Dan Phelan, Johnson County Community College
John Peterson, Kansas Association of Private Career Schools
Kevin Robertson, Kansas Association of Area Vocational-Technical Schools

Senator Jerry Moran, Vice-Chairman, called the meeting to order and introduced Laura Nicholl, Secretary of Commerce.

Sub for HB 2536 - Investments in lifelong learning program

Laura Nicholl testified in support of Sub for HB 2536 as well as HB 2492 (Attachment 1). She explained how the training program contained in HB 2536 would work. She said the new program would provide increased capacity for training and allow Kansas to have the capability of meeting a wide variety of needs. Ms. Nicholl stated that the two bills would insure the retention of 3,000 current United Telecommunications jobs in Kansas and the addition of 6,000 new jobs. Responding to a question from Senator Moran, Ms. Nicholl said United Telecom requested a training program that would meet their needs and suggested that legislation similar to legislation passed in Iowa and Missouri be considered. She said HB 2536 is modeled after Iowa and Missouri legislation but would be attractive to lots of industries besides United Telecom. Answering questions from Senator Brady, Ms. Nicholl said the revenues used in the program would be only a portion of revenues which will be generated by new jobs. Responding to questions from Senator McClure, Ms. Nicholl said the program is limited to only new jobs so a company could not retrain the same worker within the ten-year period and still be eligible for assistance. Ms. Nicholl emphasized that the top priority for Kansas is investing in human capital. Senator Brady asked what amount of money would be needed for training for United Telecom if HB 2536 is not passed. Ms. Nicholl said she does not know that amount.

Dr. Dan Phelan testified in favor of HB 2536 (Attachment 2). Dr. Phelan explained, step by step, the procedures of the Iowa program. He emphasized that HB 2536 contains a higher level of safeguards than the Iowa program. Answering Senator Petty's question, Dr. Phelan said that the administrative expenses in Iowa are roughly 13% and in Missouri about 15% of the total bond issuance amount. He noted that in those states, the community college issues the bonds and HB 2536 provides that the Kansas Development Finance Authority would be responsible for bonds in Kansas. Senator Feleciano referred to written testimony of Drs. Redwood and Krider (a part of the March 29, 1991 minutes) and asked several questions of Dr. Phelan. Dr. Phelan said that the company participating in the program provides full wages and benefits to employees being trained. He stated that the proposed program is essential for Kansas to be competitive with other states who already have similar programs in place. Dr. Phelan said that from 1983-90, Iowa issued over \$121 million in bonds, with 550 companies participating in the program for the creation of more than 42,000 new jobs. Senator Petty asked about the equipment, materials and supplies used in training.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,

room 123-S, Statehouse, at 8:00 a.m.~~a.m.~~^{XXX} on April 2, 1991

Dr. Phelan said any equipment that was purchased was retained by the educational institution, but equipment was rented unless it was less expensive to purchase it. Senator Moran asked if the provisions of the bill would have any effect on aid to community colleges. Dr. Phelan said that it would not have any impact on credit hour funding.

John Peterson requested that the bill be amended to allow an eligible institution as defined in 1990 KSA Supp. 72-6810 to seek participation in the program (Attachment 3).

Kevin Robertson spoke in favor of HB 2536 (Attachment 4). Mr. Robertson said Dr. Krider's report concerning work force training mentioned the need for a separate funding source for business and industry training. Answering a question from Senator Moran, Mr. Robertson said the bill would not have a fiscal impact on area vocational-technical schools.

Senator Petty moved that the minutes of the March 29, 1991 meeting be approved. Senator Oleen seconded the motion, and the motion carried.

The meeting adjourned at 9:00 a.m. The next meeting of the Committee will be Wednesday, April 3, 1991.

TESTIMONY ON HOUSE BILL NUMBERS 2492 and 2536

Presented by

Laura E. Nicholl
Secretary
Kansas Department of Commerce

March 29, 1991

Good Morning Mr. Chairman and committee members. I am pleased to appear before you this morning to testify about legislation that has tremendous current and future potential for the State of Kansas.

House Bill 2492 establishes a one-factor tax apportionment formula tailored specifically to the unique needs of telecommunications companies. Favorable passage of this bill will permit a telecommunications company with a substantial presence in Kansas to continue to grow and expand in our state's business environment.

House Bill 2536 creates the State of Kansas Investments in Lifelong Learning (SKILL) program. The SKILL program allows employers to enter into agreements to establish training projects for new employees. Training project costs are financed through tax-exempt public purpose bonds issued on an as-needed basis by the Kansas Development Finance Authority. These bonds are retired through the revenue received from the deferment of no more than 1.5% of statewide employer withholding taxes.

Attachment 1
4/2/91
Sen. Eco. Devel.

Eligible industries include basic enterprises that are creating new jobs; excluding the jobs of recalled workers, replacement workers, or jobs that formerly existed within the industry in Kansas. Authority to negotiate a training agreement with a business is delegated to state educational institutions. These institutions include community colleges, area vocational-technical schools, and regents schools. All agreements between businesses and educational entities are subject to the approval of the Kansas Department of Commerce. Before an agreement is approved, the agency verifies that the proposed SKILL project and other job training programs, such as the KIT and KIR, are coordinated to avoid duplication. In addition, the legislation authorizes the agency to encourage basic enterprises with similar training needs to cooperate in establishing training projects.

Once a project is sanctioned, the Department of Revenue ensures that the total dollar value of bonds issued has not exceeded the maximum funding limit of 1.5% of total statewide withholding revenues. Several additional procedural safeguards are incorporated in an attempt to guarantee that training costs will not exceed the revenue gained from the creation of new jobs. Examples of these include the 2.5% front-end cap on individual training project allocations, and the requirement to obtain the final approval of the Governor's Council on Work force Training for all projects. In addition, policies and procedures will be developed by the Department of Commerce to ensure that the public purpose is best served.

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Clearly, the SKILL program would complement the KIT and KIR programs. The KIT program would continue to work with new and expanding companies with immediate training needs. These firms, particularly small businesses that cannot wait for the pooling of bond resources, may best be served by the flexibility of a "quick-start" training program such as KIT. The KIR program would continue to serve existing firms with retraining requirements as a job retention tool.

Opportunities lost in the past due to the capacity limitations of the current program will no longer be a barrier to our future success. The SKILL program would increase the capacity of the Kansas training system beyond KIT, allowing the state to respond to large projects such as United Telecom's. It is also designed to meet the needs of smaller employers by encouraging company participation in a bond pool, and by the formation of training consortiums with those establishments that have similar needs.

In summary, passage of House Bill 2492 and 2536 will enhance Kansas' competitive position in the short and long run. This legislation, if enacted, will draw 6,000 new, high-wage jobs to the State as well as retain 3,000 current jobs for United Telecom alone. In the long run, Kansas should reap the benefit of increased success in our continuing effort to attract business and industry. Therefore, I urge you to give these bills your favorable consideration.

4/29/91
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**THE
STATE OF KANSAS INVESTMENT IN
LIFELONG LEARNING (SKILL) PROGRAM:
POTENTIAL PROCEDURES FOR IMPLEMENTATION
BASED ON IOWA'S HF 623**

A TESTIMONY

PRESENTED TO:

**THE SENATE ECONOMIC DEVELOPMENT COMMITTEE
STATE OF KANSAS**

SESSION OF 1991

ROOM 123-S

Presented by:

Daniel J. Phelan, Ph.D.

**Executive Director, Business and Industry Institute
Johnson County Community College
12345 College at Quivira
Overland Park, Kansas 66210-1299**

Tuesday, April 2, 1991

Attachment 2
4/2/91
Sen. Eco. Devel.

INTRODUCTION

My name is Dan Phelan. I am the Executive Director of the Business and Industry Institute at Johnson County Community College. The Institute, created in 1983, exists to provide consultation, training, retraining, and economic development services to the Johnson County business and industrial community. As you know, from my written testimony presented to you on March 29, 1991, I have served in the Iowa Community College system in developing, administering, and monitoring a number of economic development programs for over six years.

Today, I bring with me the support of the Kansas Community Colleges with respect to HB 2536. The Council of Presidents of the Kansas Community College Association met last week and were given an update on HB 2536 by their Executive Director. Based on the intent and potential of the bill, no negative comments were registered by the President's Council. In addition, I have visited with many of my colleagues who are also supportive of the bill. We see it as a bill that can take advantage of all training and education resources in the state to forge needed partnerships between business and education. Further, the bill has been enhanced by the exclusion of an On The Job (OJT) component, thereby requiring full salary contributions by the company.

Rather than reiterating my support for the SKILLS bill, (i.e. HB 2536), I would like to spend the next few minutes discussing the implementation of the Iowa Industrial New Jobs Training Program, (i.e. HF 623), which has been the baseline for developing the Kansas SKILLS program. I believe you will quickly see a number of parallels for the

Kansas program.

As an introduction to the implementation of the Iowa program, I want to emphasize the extreme attention given to project accountability, default procedures, and safeguards against abuse. Where possible, I will draw some inferences as to the kind of procedural and regulatory requirements that can be implemented for the SKILLS program. The Iowa program is fundamentally an eight-step program: Step 1 - Eligibility Determination; Step 2 - Bonding Analysis; Step 3 - Preliminary Agreement; Step 4 - Final Agreement; Step 5 - Certificate Sale; Step 6 - Training Plan Implementation; Step 7 - Project Monitoring; and Step 8 - Project Closeout. Let me now highlight those steps on the accompanying standard operating procedures listing, and then briefly outline the use of the attached exhibits.

STANDARD OPERATING PROCEDURES

(See Exhibit Section)

IMPLEMENTATION

280 B & C Worksheet - Exhibit 1

The initial contact between the community college and the business, in Iowa, is primarily designed to determine the eligibility of the company. We determine if a company is expanding existing operations in the State, relocating within the State, new to the State, the type of company, and the nature of business operations. In addition, we gather data to be used for an initial bonding analysis. These data include number of jobs to be hired, hiring timeline, payroll, wage scales, and property acquisition. This

information is compiled on the 280 B & C Worksheet - Exhibit #1. With the exception of the property tax information, this worksheet could be used with the SKILLS program.

Employment Level Worksheet - Exhibit 2

Exhibit 2, the Employment Level Worksheet, is used to establish that a company has been experiencing employment growth over a 12-month period. As you can see, the company is required to verify, by signature, the authenticity of that growth.

Certificate with Respect to New Jobs Income Tax Credit - Exhibit 3

The Certificate with Respect to New Jobs Income Tax Credit, in Exhibit 3, is required of companies in order to qualify for a one-time job tax credit. This credit authorization is used by the employer to file for the credit. Ultimately, the credit is approved by the Iowa Department of Revenue.

Certificate Regarding Use of New Jobs Credit from Withholding - Exhibit 4

The specific number of new jobs, hiring wage schedule, and payroll calculations are formally authorized by the company through the use of the Certificate Regarding Use of New Jobs Credit from Withholding, Exhibit 4. The form is completed after a preliminary agreement has been signed by the company. This authorization could easily be incorporated into use for the SKILLS program.

Consent of Lessor - Exhibit 5

The Consent of Lessor Form, Exhibit 5, is used with a new or expanding company in the state that does not own the facilities housing their operations. The authorization

specifies that the owner of the property, prior to selling or terminating the leasehold agreement with a company, must notify the community college.

Annual Report - Exhibit 6

Each year an annual report must be compiled for each project that has advanced to the final agreement stage. The Annual Report (Exhibit 6), filed with the Iowa Department of Revenue, and the Iowa Department of Economic Development, contains final agreement information, certification information, tax information, project revenue, project expenses, and coordination reports.

Desk Review - Exhibit 7

Each year the community college is required to complete a Desk Review, a copy of which is listed as Exhibit 7. The desk review, for all intent and purpose, serves as an internal audit by the community college to verify training budgets, revenue, and general program monitoring. A desk review is completed prior to an on-site field review. In addition, the desk review is examined by the state auditors office for compliance within statutory rules and prescribed regulations.

Field Review - Exhibit 8

The field visit is a follow-up to the desk review. The Field Review (Exhibit 8) is a full examination of all paperwork, and materials related to the project. Specifically, the on-site review involves the examination of vouchers, expenses, payroll registers, employee

turnover, and related information. The field review is also subject to the scrutiny and evaluation by the state auditor's office.

Structured Training Unit Claim Form - Exhibit 9

The Structured Training Unit Claim Form (Exhibit 9) is the vehicle by which the company makes claim for training dollars related to the company training program. As you can see, the claim form is authorized and reviewed by both the company and the community college.

Structured Training Unit Attendance Form - Exhibit 10

Submitted with the claim form is the Structured Training Unit Attendance Roster (Exhibit 10). The roster simply contains the name, social security number, and job title of those individuals receiving the training, as set forth in the prescribed training plan.

Structured Training Unit Outline/Description - Exhibit 11

The third and final piece of documentation required before a company can receive training reimbursement, is the Structured Training Unit Outline/Description (Exhibit 11). This form is primarily designed to list the nature of the training, desired training outcomes, and how that training will be evaluated.

Preliminary Agreement - Exhibit 12

The Preliminary Agreement, as set forth in Exhibit 12, is a non-binding contractual relationship between the community college and the expanding or new company. It sets forth program services offered under the training statute, specifically, job related instruction, skill testing and assessment, administrative services, and other necessary and incidental costs of providing program services pursuant to Iowa's enabling training legislation. In addition, the agreement includes guidelines for payment and security in Article 2. Between the signing of the preliminary and final agreement, both the college and the company endeavor to specify, in exacting detail, the number of jobs to be hired, their phased-in hiring schedule, the specific training program, associated costs, and the debt service.

Final Agreement - Exhibit 13

Once all training associated documentation has been gathered and agreed to by the company and the community college, both partners finalize that agreement through a contractually binding agreement, listed as Exhibit 13. In addition to the points covered under the preliminary agreement, the final agreement includes an expanded section on payments and securities, indicated as Article 3, associated representations and covenants under Article 4, and provisions in the event of default, under Article 5. Required exhibits for the final agreement include a legal description for the project site, a training program services budget, and an outline of training program services.

Checklist - Exhibit 14

A checklist is maintained for each project, indicated as Exhibit 14, which serves as a verification of all necessary components of a company's project file. The checklist is derived, primarily, from rules set forth by the Iowa Department of Economic Development and the Iowa Department of Revenue and Finance.

File Checklist - Exhibit 15

A file delivery checklist is also maintained, listed as Exhibit 15, to verify that all legal documents and coordination efforts have taken place between bond counsel, the Iowa Department of Economic Development, the Iowa Department of Revenue, the company involved, and the local job training partnership.

Computer Tracking Report - Exhibit 16

To help monitor the workings of the project, associated revenues and expenditures, I developed a computer program, listed as Exhibit 16, to monitor the project. The report provides a quick look at authorization, issuance costs, debt service schedules, as well as revenue streams. Succeeding pages delineate, line-by-line, training, administrative, legal, and issuance expenditures, principle and interest expenditures as well as withholding and interest revenues.

SUMMARY

As you can readily see from the standard operating procedures and accompanying exhibits, the implementation of this type of employee training program contains multiple points for accountability. In addition to the Iowa program constraints, the SKILLS program includes provisions for sign-off's, including the Secretary of Commerce and the Governor's Council on Workforce Training. Required signatures, in the Iowa model, did not advance beyond the director level at the Department of Economic Development and the Community College Board of Trustees. Certainly, the SKILLS program includes a significantly greater level of safeguards than the Iowa model. The bill is a powerful economic enhancing tool for Kansas. I urge your support for HB 2536.

Thank you for the opportunity to appear before you this morning.

NOTE: Exhibits referred to herein are on file in the Legislative Research Department

4/2/91
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Substitute for HOUSE BILL No. 2536

By Committee on Economic Development

3-7

8 AN ACT establishing the state of Kansas investments in lifelong
 9 learning (SKILL) program; prescribing powers, duties and func-
 10 tions for the secretary of commerce for the implementation and
 11 administration thereof; approving financing through the Kansas
 12 development finance authority; prescribing certain powers, duties
 13 and functions for the secretary of human resources and the sec-
 14 retary of revenue; amending K.S.A. 79-32,105 and repealing the
 15 existing section.

16
17 *Be it enacted by the Legislature of the State of Kansas:*

18 New Section 1. The provisions of sections 1 through 10 and
19 amendments thereto shall be known and may be cited as the state
20 of Kansas investments in lifelong learning act or SKILL act.

21 New Sec. 2. As used in this act:

22 (a) "Act" means the state of Kansas investments in lifelong learn-
23 ing act or the SKILL act.

24 (b) "Agreement" means the agreement between an employer and
25 an educational institution concerning a project.

26 (c) "Bond" means a public purpose bond issued for new jobs
27 training projects by the Kansas development finance authority.

28 (d) "Date of commencement of the project" means the date of
29 the agreement.

30 (e) "Educational institution" means ~~a community college, as de-~~
31 ~~finied by K.S.A. 71-701 and amendments thereto, an area vocational~~
32 ~~school or area vocational-technical school, as defined by K.S.A. 72-~~
33 ~~4412 and amendments thereto, a university, as defined by K.S.A.~~
34 ~~72-6501 and amendments thereto, or a state educational institution,~~
35 ~~as defined by K.S.A. 76-711 and amendments thereto]~~

36 (f) "Employee" means a person employed in a new job.

37 (g) "Employer" means a Kansas basic enterprise providing new
38 jobs in conjunction with a project.

39 (h) "Kansas basic enterprise" means any enterprise:

40 (1) Which is located or principally based in Kansas; and

41 (2) which can provide demonstrable evidence that:

42 (A) It is primarily engaged in any one or more of the Kansas
basic industries; or

an eligible institutuon as defined
in 1990 KSA Supp.72-6810 (e)

John C. Peterson
Kansas Assn of Private Career
Schools

Attachment 3
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penses to attend an eligible institution. A student's financial resources shall include (1) four hundred and fifty dollars each year from the student's own work and resources, and (2) a contribution from the income and assets of the student's parents, if sufficient, as determined by a completed financial needs analysis statement and based upon the accepted criteria of a nationally recognized financial needs analysis agency. Financial need shall be redetermined annually.

(e) "Eligible institution" means an institution of postsecondary education which maintains open enrollment, the main campus or principal place of operation of which is located in Kansas, and which qualifies as an eligible institution for the federal guaranteed-loan program under the higher education act of 1965 (P.L. 89-329), as amended.

(f) "Open enrollment" means the policy of an institution of postsecondary education which provides the opportunity of enrollment for any student who meets its academic and other reasonable enrollment requirements, without regard for race, gender, religion, creed or national origin.

(g) "Board of regents" means the state board of regents provided for in the constitution of this state and described in article 32 of chapter 74 of Kansas Statutes Annotated.

(h) "Term" means one of two or more divisions of an academic year of an institution of postsecondary education in which substantially all courses begin and end at substantially the same time and during which instruction is regularly given to students.

(i) "Semester" means one of two principal terms, when there are only two principal terms in the academic year, whether or not there are other shorter terms during the same academic year.

(j) "Program period" means the duration of the period of time, or any division thereof, required for completion of a vocational or technical education program which is given in an institution of postsecondary education.

History: L. 1974, ch. 304, § 1; L. 1975, ch. 374, § 8; L. 1977, ch. 237, § 8; L. 1977, ch. 249, § 1; L. 1979, ch. 229, § 3; L. 1986, ch. 274, § 1; July 1.

72-6811. Awarding state scholarships; limitation; determination of equivalent of semesters. A state scholarship may be awarded to any qualified state scholar enrolled at any eligible institution. A state scholar may be

awarded a state scholarship for not more than eight semesters of undergraduate study or the equivalent thereof, except that a state scholar may be awarded a state scholarship for not more than an additional two semesters of study or the equivalent thereof when the requirements of the educational program in which the state scholar is enrolled include the completion of a fifth year of study. The board of regents shall determine the equivalent of a semester when any program period or all or part of the terms for which a state scholar is awarded a state scholarship are not semesters.

History: L. 1974, ch. 304, § 2; L. 1975, ch. 374, § 9; L. 1985, ch. 243, § 4; L. 1986, ch. 274, § 2; July 1.

72-6812. Amount of state scholarship equal to financial need; limitation. (a) The amount of a state scholarship awarded to a state scholar for the fall and spring semesters, or the equivalent thereof, shall be the amount of the state scholar's financial need for the period, except that state scholarships awarded to a state scholar in any year shall not exceed:

(1) Five hundred dollars in any year if the state scholar initially is or was awarded a state scholarship for any program period, term or semester commencing prior to July 1, 1955, and

(2) one thousand dollars in any year if the state scholar initially is awarded a state scholarship for any program period, term or semester commencing after July 1, 1985.

(b) When state scholarships are awarded to a state scholar for any program period or for one or more terms that are not semesters, the board of regents shall determine the equivalent of the fall and spring semesters.

History: L. 1974, ch. 304, § 3; L. 1975, ch. 374, § 10; L. 1985, ch. 243, § 5; L. 1985, ch. 244, § 1; L. 1986, ch. 274, § 3; July 1.

72-6813. Payment of state scholarships; certification; approval; disposition upon discontinued attendance of student. (a) A state scholarship may be paid annually for both the fall and spring semesters, or the equivalent thereof. Payments under any state scholarship shall be allocated equally between the semesters, when the state scholar plans to attend two semesters in an academic year, and otherwise as specified by the board of regents. State scholarships shall be paid at the beginning of each semester, program period or other term upon certification by the eligible institution that the state scholar is enrolled and is

KANSAS ASSOCIATION OF AREA VOCATIONAL—TECHNICAL SCHOC

Richard Kingston
President

Keith Stover
President Elect

Robert Stinson
Secretary

Richard McWhorter
Treasurer

Date: March 29, 1991
To: Senate Committee on Economic Development
From: Kevin Robertson
Director of Governmental Affairs
Re: House Bill 2536

Mr. chairperson and members of the committee I am Kevin Robertson, Director of Governmental Affairs for the Kansas Association of Area Vocational-Technical Schools (KAAVTS).

KAAVTS supports HB 2536.

Many of you served on the Joint Committee on Economic Development this past interim. That committee spent a majority of its time exploring ways in which AVTSS and community colleges could better meet the training needs of Kansas business and industry. There are several highly effective programs in existence in Kansas to train the states work force, including: the Kansas Industry Training/Retraining program, and the Job Training Partnership Act. The committee discovered in many instances the problem training workers in Kansas lies neither with the educational institutions doing the training, nor the training programs you, the legislature, have implemented - the problem is the lack of funding available to properly drive these institutions and programs.

HB 2536 would create a stable funding mechanism for area vocational-technical schools, community colleges, and regent's schools to meet the rapidly changing training needs of business and industry.

The Work Force Training study completed by IPPBR in late 1989 for Kansas Inc. recognizes the need of a new source of revenue to meet the needs of business and industry. The report states,

"The current funding level creates a dilemma for AVTSS who are trying to meet the training needs of business and industry in their services area. Since business and industry has a significant interest in customized training as a cost effective method of training, AVTSS should be encouraged to provide customized training. A more stable mechanism for funding is needed."

Attachment 4
4/2/91
Sen. Eco. Devel.

During the 1990 legislative session, Senate Bill 698 was introduced to create a funding mechanism designed specifically to address the work force training concerns expressed in the IPPBR work force training study. SB 698 had \$1.75 million in funding to help AVTSS and community colleges train Kansas' work force. This bill never made it out of the Senate Labor and Industry Committee. The reason - state funding was not available.

The SKILL Program contained within HB 2536 will require only new state general fund money and would create an adequate revenue source for business and industry training. HB 2536 appears to be a win - win situation that Kansas' AVTSS strongly support.

I will be happy to respond to any questions you may have.