

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:30 a.m. on March 20, 2002 in Room 123-S of the Capitol.

All members were present except:

Committee staff present:

Sherman Parks, Revisor of Statutes
Norman Furse, Revisor of Statutes
April Holman, Legislative Research
Debra Hollon, Legislative Research
Lea Gerard, Committee Secretary

Conferees appearing before the committee:

Representative Dennis McKinney
Dr. Wojciecowski, President, Pratt Community
College
Candy Shively, Deputy Secretary, SRS
Jim Edward, KCCI
Jack Wempe, Board of Regents
Duane Dunn, President Kansas Assoc. Of
Technical Schools and Colleges
Steve Jacks, Director Employment and Training

Others attending:

See attached list

Hearings on HB 2872—Workforce development loan program and fund.

Representative Dennis McKinney, 108th District, testified in support of HB 2872 (Attachment 1). The bill would provide loans to students who attend technical schools, vocational schools and community colleges. Upon completion of their program, the student may have the loan forgiven over an 8-year period by living and working in Kansas. HB 2872 would encourage students to enter the vocational fields and fill job skills which are in demand in Kansas. Funding would be provided by federal money redirected from State Agencies.

Dr. Wojciecowski, President, Pratt Community College, testified in support of HB 2872 (Attachment 2). A significant barrier for development of a skilled workforce in Kansas is the cost of tuition, fees and other training needs. The values of HB 2872 is a low interest-bearing loan that would provide the necessary training to enter into a reasonably high paying job, keeping skilled people working in Kansas and to attract additional business and industry to the state.

Candy Shively, Deputy Secretary, SRS, testified in support of HB 2872 (Attachment 3) stating individuals who receive post-secondary education and training earn better wages and are less apt to become welfare dependent. The SRS department is concerned about the proposed annual transfer of \$500,000 in federal funds from SRS to the workforce development loan fund. SRS suggested on the bill dealing with foster care that an amendment be made regarding foster care youth and that a portion of the money would be designated to them. Some foster care children leave foster care prior to their 18th birthday and have either graduated from high school or obtained their GED and this fund would be a good mechanism for them as well as a transitional step.

Chairperson Brownlee asked Candy Shively if SRS tracked the results of the TANF workforce development dollars. Candy Shively stated SRS tracks mainly outputs because it is primarily what is written into the federal legislation. SRS tracks the number of individuals that enter employment as well as the number of individuals who might complete different types of education or training components. Since the beginning of welfare reform, there have been approximately 60,000 people who have gone to work.

Chairperson Brownlee stated when you say 60,000 people have gone to work could that number be put into context, what percent of those received TANF dollars?

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE at on March 20, 2002 in Room 123-S of the Capitol.

Candy Shively stated as of today there are approximately 13,000 families that are receiving TANF cash assistance.

Chairperson Brownlee requested Candy Shively to provide information to the committee of what percentage of people are going to work and what percent are staying in a workforce setting. Chairperson Brownlee commented when the state spends TANF dollars for job training and employment services, are people working in Kansas as a result of the expenditure of the money?

Chairperson Brownlee also requested that Candy Shively provide the committee with some reasonable amendments to utilize the TANF workforce dollars **HB 2872**. Candy Shively stated the fear with that is the creation of a new population and carving off money that was already intended to be spent for other purposes. Chairperson Brownlee responded if it allows the state to have better results from the use of the money, then let's consider it..

Jim Edwards, KCCI, testified in support of **HB 2872 (Attachment 4)** stating through the use of an educational loan program, it would encourage Kansas residents who have not selected an occupation to strongly consider a technical program. The bill would also provide a way for those laid off to gain skills needed to reenter the workforce.

Jack Wempe, Kansas Board of Regents, testified in support of **HB 2872 (Attachment 5)**

Duane Dunn, President of Manhattan Area Technical College, testified in support of **HB 2872** stating the bill would provide loans to individuals to complete an educational program for employment in technically related careers. It encourages recipients of the loans to work in Kansas and builds a qualified technical workforce in the state (**Attachment 6**).

Steve Jacks, Director of Employment and Training, Kansas Department of Human Resources, testified in opposition to **HB 2872** stating it appeared to the agency's legal and technical staff that it would violate federal statutes on the specific use of the Federal Department of Labor dollars. All of the federal programs must be administered according to federal guidelines and for the explicit purposes as outlined in the legislation (**Attachment 7**).

There being no further conferees wishing to testify, the hearing on **HB 2872** was closed.

Meeting adjourned at 9:30 a.m.

The next meeting is scheduled Thursday, March 21, 2002 at 8:30 a.m.

**SENATE COMMERCE COMMITTEE
GUEST LIST**

DATE: March 20, 2002

NAME	REPRESENTING
William A. Wojciechowski	PRATT COMMUNITY COLLEGE/KACCT
Sheila Frahm	KACCT
Jack Wamye	Regents
Mike Sweet	Ko Best Consulting
Barb Reavis	Workforce Network of Kansas Board
Arnold Capolongo	Dept of Human Resources
Jim Edwards	KCCI
Paul Johnson	PACK
Theresa Barget	Auditors of KCK
Duane Dunn	Manhattan Area Technical College
STEVE KEARNEY	KANSAS TECH SCHOOLS + COLLEGE
Steve Jack	KDHR
Jennifer Propp	SRS
Natasha Bright	CBG
Kevin BAZONE	Helm law Firm
D. Keith Meyer	Administration
Leo Vogel	Administration
John Frederick	The Boeing Company
Diane Gierstad	Wichita Public Schools
Dennis McIlwain	108 th HOUSE District
DICK CARTER	KBOR
Larry Almy	SRS

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 HOUSE OF
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 CALENDAR AND PRINTING

March 20, 2002

Workforce Development Loan Program

House Bill 2872

Thank you for the opportunity to have hearings on House Bill 2872.

The Workforce Development Loan Program is an effort aimed at three policy goals. First, it seeks to encourage more students to enter the vocational fields and fill the skills in such great demand in the Kansas economy. Second, after the program enhances the skills of students, it keeps them in Kansas to benefit Kansas businesses and the Kansas economy. Finally, it provides one means of helping technical schools expand their student capacity.

The heart of House Bill 2872 provides loans to students who attend technical schools, vocational schools, and community colleges. After completing a program the student may have the loan forgiven over an eight year program by living and working in Kansas. If we help the student the student should have a responsibility to contribute to the Kansas economy.

Section 1 (d) allows the Board of Regents to develop a list of high priority programs in which to focus the program.

Section 1(e) focuses the loans on those in greatest financial need. It also allows the program to address areas which are suffering major layoffs. I would suggest adding a provision to allow the board to assist those in making the transition from welfare to work.

Section 10 provides funding by redirecting federal monies to this program. Estimates indicate that Kansas spends over \$100 million annually on workforce development. For example, SRS spends over \$9 million annually of federal HHS money on the KanWork program. Because this program goes to the heart of workforce development I am hopeful that some of this federal money can be utilized to support this program. I am certainly open to other ideas on how and where to get the funding. But given the amount of federal money available and the fact that this program helps those most in need to get the job skills most in demand in the Kansas economy, I think we should be determined to find or redirect available dollars.

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Representative McKinney
Testimony
Workforce Development HB 2872
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Finally, Section 11 allows technical schools and technical colleges to set their own tuition levels and vary tuition according to the program. This will allow technical schools to increase tuition for high demand programs and high cost programs. Such a move will provide additional money for the technical schools. However, at some point we will have to find a greater way to augment the technical schools to enable them to increase their capacity. The Kansas economy is sending clear signals for such a policy.

For several years now I have heard a common message when attending seminars on the new economy, especially seminars sponsored by the Council of State Governments. No longer is unemployment considered the biggest draw back to the well being of our economy. In contrast, many analysts are now telling us that the biggest obstacle to growth and opportunity is the shortage of a well educated, highly skilled work force.

Therefore I hope you will consider the Workforce Development Loan Program as an important step in creating opportunity and growing the Kansas economy.

Workforce Network of Kansas
 Funding Streams for Employment and Training in State Agencies
 (revised 1/15/02)

A		B	C	D	E	F
Program Name		WNK Board Research 2002				Funding source
		2000	2001	2002		
3	Department of Human Resources					
4	Alien Labor Certification-KDHR	206,498	158,000	158,714		US DOL
5	Registered Apprenticeship Program-KDHR	90,137	84,326	84,326		SGF
6	Disabled Veterans Outreach-KDHR	620,457	620,000	620,000		US DOL
7	Job Service-KDHR	6,000,000	6,500,000	6,671,747		US DOL
8	Job-Training Partnership Act-KDHR Job Service Reemployment	15,200,000	discontinued	384,490		US DOL
9	Workforce Investment Act-KDHR	121,736	12,647,817	12,647,817		US DOL
10	Kansas Occupational Info Coord. Comm.-KDHR	142,923	0	0		US DOL
11	Local Veterans Employment-KDHR	994,049	1,000,000	1,000,000		US DOL
12	Neighbor. Improve. and Youth Employ.-KDHR	102,181	100,000	100,000		SGF
13	NAFTA Transitional Adjustment KDHR	141,718	150,000	450,000		US DOL
14	Older Kansas Employment Program-KDHR	243,437	230,358	230,358		SGF
15	Senior Community Services Employment KDHR	984,133	1,039,000	1,039,000		US DOL
16	Trade Adjustment Assistance-KDHR	582,492	900,000	1,500,000		US DOL
17	Migrant & Seasonal Farmworker Programs				grants to non-state	US DOL
18	Wheat Harvest Program-KDHR	60,000	60,000	60,000		Penalty Fund
	Work Opportunity Tax Credit KDHR	102,043	145,000	145,000		US DOL
	Welfare to Work-KDHR	4,500,000	4,500,000	0		US DOL
21	Department Total	30,091,804	28,134,501	25,091,452		
22						
23	Department of Corrections					
24	Offender Programs-KDOC	3,218,820	4,518,820	3,088,089		SGF & USDOE
25	Department Total	3,218,820	4,518,820	3,088,089		
26						
27	Department of Commerce and Housing					
28	IMPACT-KDOCH	7,100,000	11,000,000	11,000,085		KDFA
29	Kansas Industrial Training KDOCH	1,800,000	1,800,000	1,800,000		EDIF
30	Kansas Industrial Retraining KDOCH	1,800,000	1,800,000	1,800,000		EDIF
31	Training Equipment Grants-KDOCH	277,500	277,500	277,500		EDIF
32	Community Service Block Grant	300,000		243,404	grants to non-state	US HHS
33	Department Total	11,277,500	14,877,500	15,120,989		
34						
35	Department of Social and Rehabilitation Services					
36	KansasWorks-SRS	6,933,696	7,618,275	9,022,645		US DOL
37	Vocational Rehabilitation-SRS	18,651,549	16,456,852	17,206,810		US DOE/DRS
38	Food Stamps Employment & Training-SRS	22,040	10,676	18,300		USDA & SGF
39	Department Total	25,607,285	24,085,803	26,247,755		

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Funding Streams for Employment and Training in State Agencies
(revised 1/15/02)

A		B	C	D	E	F
Program Name		WNK Board Research 2002				Funding source
		2000	2001	2002		
43						
44	Department of Education					
45	Kansas Transition Systems Change Project	0	0			
46	Learn & Serve and Americorps-KSDE	1,288,254	1,300,000	1,300,000		Corp Nat Serv
47	Carl Perkins Leadership Funds-KSDE	1,150,000	1,200,000	750,000		US DOE
48	Secondary Vocational Education-KSDE	5,100,000	5,700,000	5,150,000		US DOE
49	Secondary Vocational Education-KSDE	22,500,000	25,000,000	25,500,000		SGF
50	Department Total	30,038,254	33,200,000	32,700,000		
51						
52	Kansas Board of Regents					
53	Tech Prep-KBOR	1,399,839	1,198,635	1,120,100		US DOE
54	Postsecondary Vocational Education-KBOR	5,100,000	5,700,000	4,832,277		US DOE
55	Adult Basic Education-KBOR	2,767,903	3,240,333	3,723,871		US DOE
56	Adult Basic Education-KBOR	1,100,000	1,100,000	1,100,000		SGF
57	Technical Schools-KBOR	unable to extrapolate				
58	Community Colleges-KBOR	unable to extrapolate				
59	Universities-KBOR	unable to extrapolate				
60	Department Total	10,367,742	11,238,968	10,776,248		
61						
	Total Workforce Investment Funds (all funds)	110,601,405	116,055,592	113,024,533		
64	Short Term Funds Flowing Through State Agencies					
65	School to Careers-KDOCH		16,800,000		4 yr-ends 2002	
66	One Stop Implementation Grants-KDHR	2,300,000	4,800,000		ended 6-30-01	US DOL
67	Mentoring-KDHR	184,324			one year only	US DOL
68	Call Center-KDHR	140,000			one year only	US DOL
69	National Toll Free Implementation-KDHR		125,000		ended 9-30-01	US DOL
70	Funds Flowing to Non-State Entities					
71	Welfare to Work Competitive Grant	4,300,000			3 yr grant to non-state	US DOL
72	Indian and Native American Programs				grants to non-state	US DOL
73	Job Corps	4,800,000	6,400,000		grants to non-state	US DOL
74	Farmers and Ranchers Training	747,433			2 yr grant to non-state	US DOL
75	Employment and Training within HUD				grant to non-state	US HUD
76	Boeing Project-Discretionary Grant	1,650,000			3 yr grant to non-state	US DOL
77	TriCon-Discretionary Grant	462,288			3 yr grant to non-state	US DOL
78	Youth Opportunity				comp.- no current KS	US DOL
79						
	*contains Non-Trad Occup; Comp Based Curriculum Ctr					
	1/14/02					

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Workforce Network of Kansas
Funding Streams for Employment and Training in State Agencies
(revised 1/15/02)

Cell: D6

Comment: Federal allocations are still pending on this program.

Cell: D7

Comment: Federal allocations are still pending on this program.

Cell: D9

Comment: Federal allocations are still pending on this program.

Cell: D11

Comment: Federal allocations are still pending on this program.

Cell: D13

Comment: NAFTA funding is dependent on approved petitions--not possible to determine this early.

Cell: D15

Comment: Federal allocations are still pending on this program.

Cell: D16

Comment: Trade Adjustment funding is dependent on approved petitions--not possible to determine this early.

Cell: D19

Comment: Federal allocations are still pending on this program.

Cell: D20

Comment: Welfare to Work does not have new funding available in 2002.

Cell: D28

Comment: IMPACT: This money has been budgeted to finance existing obligations (projects) and those anticipated to be approved in FY 2002.

Cell: D32

Comment: is 5% of grants made to non-state agencies; funding is pre-determined by federal formula for distribution; state paid for admin cost only

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Workforce Network of Kansas
Funding Streams for Employment and Training in State Agencies
(revised 1/15/02)

Cell: C36

Comment: \$643,255 less than the \$8,261,530 projected at this time last year

Cell: C37

Comment: 356,852 more than the \$16,100,000 projected at this time last year

Cell: C38

Comment: 15,244 less than the \$25,920 projected at this time last year

Cell: D47

Comment: Divided between KSDE and KBOR effective 7/1/01

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insured unemployment rate (the number of workers collecting unemployment insurance as a share of the total number of civilian workers in the labor force).

- ▶ **Return to the states the excess unemployment taxes in the federal UI Trust Fund.** Congress should not spend taxes collected from employers for unemployment insurance to pay off the national debt. For example, in 1998 FUTA revenues were \$6.2 billion, of which only \$3.6 billion was appropriated for state and federal UI administration. These should be returned to state UI trust funds, allowing states to reduce taxes a proportionate amount.
- ▶ **Give states significantly more flexibility in how they run their UI systems.** There are many advocates for devolution of UI responsibilities to the states, including businesses and states themselves. And indeed, giving states more flexibility can reduce the considerable regulatory straightjackets and micro-management from Washington that limit them from making needed changes. But at the same time, without a federal floor and performance requirements, states will engage in a race to the bottom for benefits and taxes. Therefore, while the federal government should set a floor, it should also give states considerably more flexibility in how they operate their UI programs. In exchange for a higher federal floor, states should be given more flexibility. But accountability measures, including indices of how well workers are able to access UI benefits, should be part of any federal UI tax allocation formula.
- ▶ **Exempt the first \$2,500 of UI benefits from federal taxation.** In 1986, Congress

subjected all UI benefits to federal income taxes, lowering the after-tax value of benefits and reducing the rate at which workers collect UI. Exempting a share of UI benefits from federal taxes would provide a more generous safety net, while preserving incentives for most workers to get back to work.

Step Three: Make UI a Trampoline, Not Just a Safety Net

At its heart the UI system is designed for a world in which job skill requirements remain constant. The overriding goal of the system, and of most who administer it, is to get workers back to work as soon as possible in their existing occupations. And the way state programs are evaluated—on the duration of benefits paid—puts pressure on states to get workers back to work quickly, even if they could benefit from skill upgrades. Yet, in a rapidly changing labor market based increasingly on technology and higher-skill work, many unemployed workers need to upgrade their skills to succeed. Moreover, in a knowledge-based economy, helping workers upgrade their skills between jobs can boost productivity and economic growth.

As a result, states should:

- ▶ **Make it easier for laid-off workers to collect UI while they are upgrading their skills for new employment.** Under the prior Job Training Partnership Act, states were prohibited from denying benefits to unemployed workers who are in qualified training programs. However, the legislation left it up to the states to define "qualified." Moreover, as an oversight, Congress failed to include a similar provision in 1998 Workforce Investment Act (WIA). As a result, many states do not make it easy for workers to

collect benefits while in training.

Some states inform workers that they cannot collect benefits while in training unless their skills are "obsolete," as if only the "buggy whip braiders" and "bowling alley pin setters" of the New Economy should get new skills. Many states don't tell workers that they can collect while in training. And in some states, the breadth of courses and training providers that qualify is limited. For example, some states do not consider English as a Second Language courses or Adult Basic Education courses as qualified training, yet the individuals who take these courses are probably the ones most in need of boosting their skills. Other states automatically disqualify someone enrolled in higher education, even if they are in classes that are clearly career oriented (e.g., IT systems management) and short-term (e.g., under a year). The end result is that in some states it is difficult to qualify for benefits while in training. Many Workforce Investment Boards do little to encourage workers to collect UI while in training. For example, while Tennessee's state Workforce Investment Board's Web site promotes lifelong learning stating, "As the job market changes, your skills need to keep up," it doesn't mention that laid off workers should consider using UI funds to support themselves while in training.

With this in mind:

- ◆ Congress should amend WIA to make it clear that workers in WIA-qualified training must be eligible for UI benefits.
- ◆ States should enact similar legislation and administrative rules

making it clear that workers in approved training can collect UI benefits. Some states have already enacted such legislation. Maine recently clarified that any workers participating in training approved under the Workforce Investment Act are automatically entitled to UI without having to also seek new work. Another Maine law made clear that enrollment in a degree-granting program cannot be the sole cause of denial of benefits. In addition, Nebraska enacted a law covering both WIA training and activities funded under the federal Welfare to Work program.

To be fair to the employers who laid off the workers, however, states should charge back to the employer's account only some of the costs if workers enroll in training. This is the case since it can be assumed that without training, the worker would get back in the labor force sooner and collect benefits for a shorter time.

- ▶ **Provide extended benefits to dislocated workers who are collecting UI and are in training.** For many workers needing to upgrade their skills, a 26-week program is simply not enough time in which gain the needed skills. As a result, a number of states, including California, Massachusetts, Michigan, New Jersey, Oregon and Washington, provide additional weeks of benefits to workers who have been dislocated and are in approved training program. For example, New Jersey provides an additional 26 weeks of UI support to such workers.

Another way states can support unemployed workers seeking to upgrade their skills is to waive tuition costs at public institutions. For example, Rhode

Island lets UI recipients take any course, for credit, at any state-operated college or university and waives tuition and registration fees.

► **Use UI funds to help companies train workers in order to avoid layoffs and better position their workers.**

A number of states, including Delaware, Minnesota, Massachusetts, New Jersey, Rhode Island, and Tennessee, assess a small surcharge on the UI tax to pay for employer-based training. For example, Rhode Island assesses an additional 0.2 percent surcharge on employer UI taxes to fund an employer-based training grant program. Delaware's "blue-collar training tax" assesses a 0.10 to 0.15 percent tax on taxable wages for counseling, training, and placement of dislocated workers. Indiana adopted a training payroll tax to fund a new apprenticeship and job-training program. These programs not only improve company productivity and reduce the risks of layoffs, but also provide skills to workers so that if they are laid off they can get back to work more quickly.

► **Provide reemployment assistance vouchers to all workers who qualify for UI.** Notwithstanding the changes made in the Workforce Investment Act to set up "one-stop" job centers, many unemployed workers do not receive effective reemployment assistance, even when they go to "one-stops." While some states use WIA to create viable one-stop programs, many others do not. As a result, states should let unemployed workers receive vouchers (perhaps worth up to \$250) to obtain such services. Vouchers could be redeemed (within the first month of unemployment) at certified private, non-profit or for-profit employ-

ment assistance organizations for services such as resume writing, job hunting skills, interviewing, identification of career goals, etc. Because these are vouchers, workers are free to choose any certified provider. Job search vouchers could also reenergize organized labor, which would be well positioned to capture much of this market. Because Labor already has ties to many laid-off workers, they could bid to provide comprehensive services to get these individuals back in the workforce, and by doing so, enhance their usefulness to American workers.

► **Experiment with programs to get people back to work faster.**

Not surprisingly, there is evidence that more generous benefits tend to prolong unemployment spells. States have conducted various pilot projects, including back-to-work bonuses, self-employment lump-sum payments, and targeted reemployment services, that have been moderately successful in getting people back to work faster. These should continue to be used. But states should also experiment with providing workers weekly benefits that decline with the duration of unemployment. Under such an arrangement, the weekly benefit a worker would receive would decline each week. Workers would get more generous benefits than they normally would at the beginning of their unemployment, but less generous benefits toward the end of 26 weeks. This could be done in such a way as to not reduce the average weekly benefits a worker receives, but it could reduce the length of time people are unemployed.

► **Make it easy for workers to find out about and apply for unemployment insurance.** In the past few years, a number of states have allowed workers



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Testimony to the Senate Commerce Committee
March 20, 2002: HB 2872 - Workforce
Development Loan Program Act

William A. Wojciechowski, Ed.D.
President
Pratt Community College

Nonavailability of personal finances to defray the costs of tuition, fees, tools and other training essentials is one of the most significant barriers to developing a skilled workforce in Kansas. Community and technical colleges and area vocational schools, next to business and industry, provide the majority of training in the development of a skilled workforce to sustain and develop the Kansas economy. In its Future Initiatives brochure, the Kansas Association of Community College Trustees (KACCT) indicated that in FY2000, member colleges had approximately 186,000 enrollments in for-credit courses and some 68,000 enrollments in continuing education courses. About 30 percent of those for-credit enrollments and almost all of the 68,000 continuing education enrollments directly related to some form of workforce development. However, we are experiencing an aging population and the workforce is turning over at an alarming rate. In addition, we are seeing a decline in the numbers of traditional students desiring to enter into technical education programs in general, even though a few selected career specialties do have waiting lists. Our admissions recruiters

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tell us that many potential technical education students fail to enroll because they don't have the personal finances necessary to defray the costs of that education. For many who qualify for Federal financial aid, that aid is not enough - especially if those students will have to reside at school. Even at our community colleges where tuition and fees are a bargain, an on-campus student enrolled in a technical education program can expect to pay about \$1,600 for tuition and fees, \$2,600 for room and board, \$150-\$300 for tools and supplies, and about \$1,200 for living essentials. That student's cost of education to receive an Associate of Applied Science degree in a technical career specialty could be as much as \$12,000. Deduct from that the maximum Federal financial aid of \$5,400 for that same time period and the student still must find over \$6,000 to cover those costs. An adult student with a family, even working full-time, faces similar barriers. There is a hesitancy among many students to enter into loans, even subsidized loans, because they are wary of beginning their careers steeped in debt. This is where I see the incentive and the value of HB2872. The incentive is a low interest-bearing loan that provides for the necessary training to enter into a reasonably high paying job. A further incentive is provided to keep that person working in Kansas by allowing for loan forgiveness. The value of HB 2872 is keeping those skilled people working in Kansas and creating a highly skilled workforce that will help attract additional business and industry into our

state. On a smaller scale, our colleges have some unique programs that attract a small number of out of state students; approximately six percent of our students. Many of those students form lasting friendships with their Kansas peers and become Kansas residents. Depending on the administrative regulations that would guide this bill, if it were to be passed, access to these low cost loans with the "forgiveness" provision would certainly influence these students to remain in Kansas, and our state could benefit from their skills and talents. In these tough economic times, the proposed HB2872 provides to potential students access to additional financial resources heretofore not available. At Pratt Community College, for example, 80 percent of our students are receiving some form of financial aid, and the majority of them are also working full or part-time to support themselves and their families in the case of the nontraditional student. This scenario is repeated in all of our community colleges. We pride ourselves on our accessibility and our affordability. However, for many of our students and hundreds of potential students, i.e., future skilled workers, even that affordability is out of reach. HB2872 is one means of dealing with that dilemma. It is for these reasons we urge your support.

Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary



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March 20, 2002

Impact of House Bill 2872 on the
Department of Social and Rehabilitation Services

Integrated Service Delivery
Candy Shively, Deputy Secretary
785-296-3271

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Kansas Department of Social and Rehabilitation Services
Janet Schalansky, Secretary

Senate Commerce Committee, Room 123-S
March 20, 2002

Impact of House Bill 2872 on the Department of Social and Rehabilitation Services

Thank you Madam Chair and members of the Committee for allowing me this opportunity to discuss the workforce development loan fund as proposed by House Bill 2872. The department recognizes that achieving a more skilled workforce is an important economic development strategy for the state. We also believe that individuals who receive post-secondary education and training ultimately earn better wages and are less apt to become welfare dependent. However, the department is concerned about the proposed annual transfer of \$500,000 in federal funds from SRS to the workforce development loan fund in the manner proposed for the following reasons:

- **The department has no federal funding source not federally designated for a specific population with specific eligibility criteria.** For example, Temporary Assistance for Needy Families (TANF) Block Grant funds might be one funding source considered as appropriate for contribution to the Workforce Development Loan Fund, since TANF funds may be used for job training and employment services. However, federal law restricts TANF expenditures to needy families with minor children, a constraint not present in House Bill No. 2872.

Using TANF funds for individuals without dependents or non-needy families would result in a fiscal penalty. An unintentional misuse of federal TANF funds subjects the state to a dollar-for-dollar sanction by the U.S. Department of Health and Human Services in the succeeding fiscal year. Additionally, federal law requires the state to expend additional state funds to replace the federal reduction resulting from the penalty. Therefore, this would be a \$1,000,000 penalty right off the top. Further, once the misuse has been detected, any succeeding transfers to the workforce development fund would be judged to be intentional. A finding that the state has intentionally misused TANF funds would lead to a federal penalty equal to five percent of the TANF Block Grant, or \$5,095,000. Not only would this amount be lost, but the state would have to replace these funds with state funds, for a total penalty of \$10.19 million per year for as long as the transfer is continued. Given the penalty for this potential misuse of TANF funds, it would be less costly to the state to use state funds for the workforce development loan program.

Chafee funding is another federal source within SRS that could be considered for transfer to a workforce development loan fund. However, Chafee funds must be used solely for current or former foster care children and require a 20 percent state match. Using Chafee funds in any other manner would result in the state being required to repay the funds to the federal government.

- **Receipts from repayments or interest must be credited to original funding source.** All loan repayments, both principal and interest, and interest paid on the loan fund account by the financial institution in which the fund is deposited must be credited to the originating federal funding source, such as TANF or Chafee, and may only be used in accordance with the applicable federal laws and regulations for such federal program. This is a federal requirement for the use of federal funds.
- **All TANF funds are obligated.** All TANF funds are allocated, therefore, earmarking \$500,000 for the workforce development loan fund means extremely vulnerable low income Kansans will be adversely impacted—either through reduced cash grants, reduced employment services, reduced child protective/foster care services, or reduced family preservation services.
- **Only current year TANF funds may be used for a loan fund for the purpose of promoting job preparation and work.** TANF law specifies that TANF funds that are carried over from one year to the next may only be spent for direct assistance to a TANF recipient. Direct assistance is defined as cash or vouchers for the needs of daily living such as rent, food, utilities. A loan fund would not be qualified to use carryover funds.

The department appreciates the bill's intent to provide additional opportunities for Kansans to obtain post-secondary education and training by assisting them financially. We are particularly interested in the provision that would give priority to young adults leaving the foster care system, although we recommend that eligibility be expanded to include those who completed high school or G.E.D and were released from foster care *prior* to their 18th birthday as well as those in foster care until their 18th birthday. If requested, we would certainly be willing to work with other interested individuals to develop a workforce development loan program assuming that an allowable funding mechanism was acquired.

LEGISLATIVE TESTIMONY



The Unified Voice of Business

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Substitute for HB 2872

March 20, 2002

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Commerce Committee

by

Jim Edwards
Senior Vice President

Madam Chair and Members of the Committee:

Thank you for the opportunity to appear today and express KCCI's support for Substitute for HB 2872, a bill which would provide for scholarship to postsecondary vocational and technical schools and colleges as well as community colleges. KCCI's support for measures such as this stem from our members need for skilled workers.

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 2,000 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 48% of KCCI's members having less than 25 employees, and 78% 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.

The current labor deficit is not unique to Kansas. Unlike the labor distribution problems that have plagued Kansas in prior decades, the shortfall is universal throughout North America, making it more difficult to recruit workers from one state or region to another. As a result, employers have increasingly looked to non-traditional sources of labor. Many former welfare recipients, encouraged

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Federal and state welfare reform initiatives, have altered the workforce since 1997. Immigration, though hampered by quotas and political considerations, has been an important source of new workers. Labor force participation among young persons, ethnic minorities, and females has continued to rise. Yet, the labor deficit continues, threatening to forestall future economic expansion in the state.

Even with the recent layoffs experienced by business and industry nationwide, unemployment rates have still only risen to what could be termed as "full employment" levels. The Hudson Institute projects that the unemployment rates nationwide from 2000 to 2020 will average 4.7%, with traditionally lower unemployment areas staying around 3.5%.

Substitute for HB 2872, through the use of an educational loan program, would help in this arena by encouraging Kansas residents who have not selected an occupation to strongly consider a technical program. In addition, this bill would also provide an avenue for those laid off in recent downsizings to gain the skills needed to reenter the workforce. We must remember that approximately 60% of the jobs today require significant technical skills while only about 20% did in the late 1990's. Substitute for HB 2872 is an "outside-of-the-box" solution for a growing need.

For an outstanding concept like Substitute for HB 2872 to succeed though, I must remind all of you that other items are needed. They include:

- Training must be market-driven and based on actual needs of employers in their respective service areas. Employers must clearly communicate their expectations of the educational product. Training institutions should approach workforce training as a business opportunity. Employers are customers of the educational product, that is, prospective workers.
- Increased funding will be needed for capital equipment and construction needs. Vocational training facilities must change as rapidly as those industries are who expect to hire the graduates.
- Vocational counseling is needed to address the cultural bias toward a four-year degree that discourages many young people from exploring other vocations needed in the marketplace.
- Kansas must continue to fund an economic development program that will ensure that this labor shortage does not move towards what could be termed as a labor glut.

As the CEO of General Electric has stated, "When the rate of change outside exceeds that inside, the end is near." While we don't believe that the issues of workforce training is going to be easy to address, we do believe that the solutions are going to come only from the development of new and the enhancing of existing programs, concepts and partnerships. Business is the engine that powers this state. When it is running strong, so will the state.

Thank you for the opportunity to present our testimony in support of Substitute for HB 2872 and I would be happy to stand for questions.



KANSAS BOARD OF REGENTS

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TESTIMONY BEFORE THE SENATE COMMERCE COMMITTEE ON SUBSTITUTE HOUSE BILL 2872

Regent Jack Wempe
March 20, 2002

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to testify before your committee in regard to the Workforce Development Loan Program. I also want to commend the committee for its interest in workforce development and the recognition of the role it plays in Kansas economic development.

For some, workforce development has become an entity separate and alone, but you and I know it is part and parcel of our interest. At its heart, workforce development is an education issue. Skill and knowledge are central to the welfare, not only of our people, but also of our state. The development of a workforce is simply the result of a well-educated, highly skilled populace. And the imparting of that education and those skills is what we do.

Student aid must become a priority in Kansas. Kansas currently ranks 34th nationally in need-based state aid per undergraduate FTE; and much of our aid comes in the form of tuition credits for students enrolled at independent institutions. Only a bit over \$4 million in general aid is available to students in our public higher education system. We currently have fourteen categorical programs, each with relatively small amounts of appropriated funds. Six of those programs require a service obligation of some type and require tracking of the recipients. The entire area of student aid begs for your attention.

Consideration of this proposal, as with all proposals, must include an examination of its ramifications. Priorities are important, of course, and the effect of the funding source must be considered. I have no ability to speak to the effect of the reallocation of dollars upon existing programs. Others must speak to that issue. But I hope the extraordinary value of expending funds in this manner will be considered.

The simplicity of administration must also be considered. Since this bill was introduced, I have been reassured as to the administrative impact upon our office. As a legislator, I was a bit insensitive to the tasks imposed upon our bureaucracy. I have become more aware. The Regents' organization is stretched badly. The funding of the office, deferred in 1999, has not been forthcoming. We are trying to focus on policy and reduce the purely administrative

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workload. But it would seem this program would not impose an intolerable administrative burden in the Regents' office.

I must also speak to capacity. Many of our much-needed programs feature a waiting list for admission. Added capacity is needed in most health fields, in the training of workers for the aircraft industry, in some telecommunications areas, in computer networking and in several other areas. Some additional capacity can be created at a relatively low cost. An added evening section, for example, often requires only the hiring of another instructor and a minimal amount of teaching supplies. But current funding does not support even that. The vaunted 85/15 formula for technical school funding has not been fully funded for several years. Essentially the schools and colleges are functioning with an inelastic block grant.

Note must be taken of the last portion of the bill, that which seeks to release the tuition level from the formula. Earlier this week you heard another bill which would accomplish that release. This concept needs to pass. Higher tuition levels can bring non-tax dollars to technical education and might permit a heavier emphasis upon scholarships by employers. However, one must be aware of the formula issue. If the clock-hour formula were ever fully funded, it would be impacted by higher tuition and its effect on cost of instruction. That would be a built-in accelerator that would impact your fiscal planning, much like the internal accelerant driving SB 345 costs.

Now, let us for a moment, consider student aid in a general sense. An artificially low tuition level is obviously not need-based. Every student is subsidized in an equal manner. By contrast, the proposed measure has it right. It provides for some degree of tuition increase but it provides a significant amount of need-based aid. And, as a bonus, it encourages the recipient to apply his newly acquired skills in Kansas.

As I close, permit me to comment upon the change that has occurred under SB 345. Currently, our technical school people are working shoulder to shoulder with our university people. A mutual respect has evolved which did not exist three years ago. The foresight of you and your colleagues continues to become more evident. And even though we have encountered a financial bump in the road with the potential to derail many of our hopes, we continue to believe the future of higher education in Kansas will be bathed in a very bright light. We share with you a passion for education. Workforce training comprises an important part of that enterprise. Your attention to this issue is gratifying.

Thank you for the opportunity to share my thoughts regarding these issues.

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Senator Brownlee, Chair

Duane M. Dunn, Ed.D., President of Manhattan Area Technical College
President, Kansas Association of Technical Schools and Colleges

Thank you for the opportunity to speak to you this morning regarding substitute House Bill 2872. The concept of this bill is to provide loans for individuals to complete an educational program for employment in technically related careers. As an incentive to the state of Kansas, the bill encourages the recipients of the loans to work in Kansas. It is the opinion of our member institutions that this is an excellent method of encouraging individuals to seek technical careers and retain a qualified workforce in our state.

The ability to achieve an education that can assist an individual in becoming self-sufficient is really the American dream. Hopefully, we have moved beyond the old notion that one must obtain a 4-year degree immediately after high school graduation in order to enter an economically competitive career. In fact, the real need in our state is to expand our technically qualified workforce. It isn't enough to have the engineering and design teams in our workforce we desperately need technicians. Well-educated, highly skilled individuals who have the critical thinking abilities, problem solving aptitudes, and the technical expertise to manufacture products and maintain our technical infrastructure are a critical aspect of our economy. The graduates of technical programs are indeed commanding high-level salaries and generate high-level earnings for their employers. It isn't unusual for students in drafting, computer network technology, electric power distribution, and specialized health care to earn over \$35000 within a year of graduating.

HB 2872 will provide more individuals with that opportunity to reach the type of economic security we desire for our citizens. Certainly we recognize that this loan will have issues of administration, but the end user – the individual student – will be the beneficiary of your actions. Certainly it would be difficult to criticize the concept of increasing a technically trained workforce for Kansas, and equally difficult to criticize the desire to retain a well-qualified workforce. The criticism must then lie with the process

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and procedures. It is our associations hope that these issues can be resolved through careful development of guidelines and practices. The bill contains specific language on qualifications, priority status of applications, methods of loan forgiveness, and agency management guidelines. We hope the development of the specific procedures for the administration of the loan will not hinder the intent of the bill – providing assistance to individuals to become contributors to the state's economy.

Our institutions also recognize that this is not a method for generating revenue for our institutions. Many of our schools and colleges have high enrollments and we are continually seeking methods of expanding those programs to serve larger populations. We have strong partnerships with the business and industry sector and those partners assist us in various means – contributions, training equipment and materials and internship programs. However, we believe this bill provides a significant message to the state that there is a recognized need for technically educated, well-qualified individuals to contribute to our state's economic vitality.

Our schools and colleges are not the institutions many people once believed. Our programs of instruction rely on current industrial equipment for training, many have CISCO certified computer network management training programs, many have highly specific educational programs not available in other states, most have programs that provide training specific to local and area industry requirements. These are the very same programs of instruction that lend to a method of strengthening our economy.

As a representative of our association, I urge you to pass this bill. We hope that the need for a strong workforce that meets the future needs of our industry base justifies your support and passage of this bill.

Testimony on Substitute for HB2872

Presented by

Steve Jack

**Director of Employment & Training
Kansas Department of Human Resources**

Senate Commerce Committee

March 20, 2002

Room 123-S, 8:30 a.m.

I appreciate the opportunity to testify on Substitute for HB2872 which establishes the workforce development loan program. Under the Bill, federal funds are transferred to a loan account that allows loans to be made to Kansas residents from several targeted groups who are enrolled in or admitted to an area vocational technical school, technical college, or vocational school under the jurisdiction of the State Board of Regents. Loans are forgiven if the student successfully completes the training and continues to live and work in Kansas. The Bill transfers \$500,000 of federal U.S. Department of Labor (USDOL) funds now administered by the Kansas Department of Human Resources (KDHR) and \$500,000 of federal funds administered by the Kansas Department of Social and Rehabilitation Services (SRS) from each agency to the State Treasurer with those funds to be used to provide for the student loans.

On February 20, 2002, our agency testified in opposition to the Bill, as we do today, before the House Higher Education Committee because it appeared to our agency's legal and technical staff that it would violate federal statutes on the specific use of federal Department of Labor dollars. All these federal programs must be administered according to federal guidelines and for the explicit purposes outlined in legislation. While our agency applauded the initiative, innovation, and intent of this Bill, we were cautious to use funds in a manner not prescribed by law.

We have had numerous conversations in the past few weeks with U.S. Department of Labor officials to try to identify any flexibility in the programs we administer. Initial communication from Labor officials stated that no program funded with Wagner-Peyser authorization could be used in the manner outlined in the Bill. These programs include: Job Service, Welfare to Work Grants, Work Opportunity Tax Credits, Veterans Programs, and Workforce Information Grants.

Recent communication from USDOL, though, indicates one small funding stream in the Workforce Investment Act (WIA) that may be utilized in the manner indicated in the Bill – the ten percent WIA set-aside. WIA funds are primarily used to serve economically disadvantaged adults and youth as well as dislocated workers through five Local Workforce Investment Boards. Eighty-five percent of these funds are currently utilized to pay for training by eligible individuals at community colleges, technical schools, and other certified training providers. It is our understanding that none of the monies transferred to the local areas may be used in the manner described in the Bill. Five percent of

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these funds are utilized for state administration. The remaining ten percent of WIA funds, or approximately \$1.5 million, is used by the Governor for statewide activities. This source of funding is somewhat more flexible than other WIA funding streams. Activities currently being funded in this area include maintenance of the *kansasjoblink.com* job site used in each of the State's One-Stop Workforce Centers and accessible to everyone on the Internet, maintenance of the State's computerized case management system, technical assistance grants to local areas, continuous improvement grants to local areas for continued development and improvement of the One-Stop workforce development system in Kansas, monitoring and oversight of local WIA services and performance, and marketing of workforce development services to job seekers and employers.

Our agency is, of course, concerned that the Bill would direct the Governor to provide for student loans from the small amount currently being used to deliver, improve, monitor, and market the WIA program, reducing the amount the Governor has for these purposes by one third. It would, in effect, create yet another "silo," tying down yet another funding stream and reducing what little flexibility the state has in the area of system development. Larger states have a greater ability to utilize these set-aside funds in a variety of ways to improve the workforce development system, including the delivery of incumbent worker training services, because their discretionary fund may be \$10 million to \$20 million. California receives \$60 million in set-aside alone. In Kansas, we are constrained to a large degree simply by the size of the funding stream.

I would like to note, though, that the Governor's set-aside next year may actually be slightly greater than the amount allocated by formula. At the end of the second year of the implementation of WIA, the State will determine if any local area has under spent its first two-year allocation (the 85% portion of WIA). If so, the State may pull back these unspent local dollars, which then take on the characteristics of the State set-aside. However, we do not currently know how much, if any, may be returned to the State for set-aside uses. It is likely that this amount will be small.

To utilize any other Department of Labor funding source for the purposes outlined in this Bill may put future funding at risk or, at the least, place the State in the position of repaying the federal government any disallowed costs out of state general funds. In fact, in 1974 the federal government disallowed job training expenditures made by the State of Kansas. At the time, the entity responsible for administering State-level programs (Governor's Special Grant Unit) was mandated by legislative action to provide funding for a Statewide Correctional Training Program utilizing State-level Comprehensive Employment and Training Act (CETA) funds. It was noted at that time by Special Grants staff that this was not an allowable activity under CETA. CETA required that individuals trained in the program must be available for employment at the conclusion of the training. All of the inmates trained were not eligible for parole at

the conclusion of training and were therefore not placed or employed at the conclusion of their CETA training.

Despite this clear misuse of CETA resources the funds were transferred and used in the Corrections Training program. The Department of Labor in its audit of the program determined this to be an "unallowable" activity and required the State to repay the funds diverted to the Corrections program. The State was able to negotiate a settlement with the Department of Labor in which actual cash funds were not repaid, however, the State had to demonstrate that it no longer used CETA funds for the Correctional program and the existing State Correctional Training programs increased its state general funding by the amount of the audit exception which was \$350,000. In 1974, offsets were permissible under CETA. Currently, however, misspent funds must be paid back to the Department of Labor.

Our agency has been outspoken in its recognition of the impact of workforce development on economic development. Our agency is supportive of efforts to increase enrollments at community colleges and technical schools in the state, but it appears that the only legal funding source from the amount targeted from KDHR is a portion of the federal dollars already placing individuals from similar targeted groups into post-secondary schools. WIA dollars are currently being used to train dislocated workers, the unemployed, those on welfare, and other economically disadvantaged individuals at community colleges, technical schools, and other training institutions.

We urge the Legislature to restrain from creating yet another "silo" within a "silo." But maintaining what flexibility there is in these federal programs requires our agency to listen even more carefully to input from the Legislature and others interested in improving the workforce development system in Kansas. Our agency would be willing to assist in the development of a workforce training loan program if an alternate funding source were utilized. Additionally, our agency pledges to work with members of the Legislature, the Workforce Network of Kansas Board (and those legislators who are members on the Board), and other interested parties in strategies to increase enrollments in post-secondary schools in Kansas and in retaining those individuals in our state.