

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairperson Lana Gordon at 3:30 P.M. on February 16, 2006 in Room 526-S of the Capitol.

All members were present except:

Carl Krehbiel- excused
Kay Wolf- excused

Committee staff present:

Audrey Dunkel, Kansas Legislative Research Department
Renaë Jefferies, Revisor of Statutes
Helen Pedigo, Revisor of Statutes
Carlene Maag, Committee Secretary

Conferees appearing before the committee:

Bill Keeton, Assistant Vice President, Economic Research Department, Federal Reserve Bank of Kansas City

Chairperson Gordon announced a sub committee would be appointed to look more indepth into some of the issues that came out of the discussion regarding **HB 2194**.

Committee was provided written testimony from the Department of Commerce pertaining to: Information request/House Bill 2194 (Attachment 1), Executive Order No. 01-06 (Attachment 2), and an Annual Report for Program Year 2003 Older Kansans Employment Programs (OKEP) This report can be obtained by e-mail: dallen@kansascommerce.com

A motion was made by Representative Treaster and seconded by Representative Horst to approve the minutes from the meetings of February 7 and 9, 2006. A vote was taken, motion passed.

Chairperson Gordon welcomed Bill Keeton from the Federal Reserve Bank of Kansas City who gave a review and outlook of the Kansas economy.

The Kansas economy has performed solidly during the last year. Jobs and income has risen at rates close to the national average.

Job growth has been strongest on the Kansas side of the Kansas City metro area. Data shows that year over year job growth on the Missouri side of the Kansas City metro area has lagged behind job growth on the Kansas side.

More people have been moving out of Kansas than moving in. The net outflow of people from Kansas to other states were predominantly people with college or advance degrees. There was a substantial inflow of people into Kansas of people with less than a high school education. There is a brain drain in Kansas. The challenge for Kansas is going to be to reverse the net outflow of highly educated people. Two factors that will help to achieve this challenge is, 1) the state's economy is catching up with the rest of the nation, and 2) housing costs have risen less than the rest of the nation.

The aviation industry has recovered from the recession. Orders for commercial airplanes at Boeing set a new record for 2005. Activity at smaller manufacturers has been solid despite sharply rising input costs.

Housing activity has remained strong. Single family housing permits are strong. Housing inflation has been more subdued than in the U.S.

Most of the service industries in Kansas are growing solidly. There is a strong growth in the state in professional and business services. This includes services considered "high scale" such as research and development and computer design. It also includes services which are thought of as being low scale, such as call center and janitorial jobs.

Agriculture is of special importance in Kansas. Overall 2005 was a good year for the State's farmers and

CONTINUATION SHEET

MINUTES OF THE House Economic Development Committee at 3:30 P.M. on February 16, 2006 in Room 526-S of the Capitol.

ranchers. The wheat harvest was good. Ranchers benefitted from high cattle prices.

One concern is the drought conditions in the state. Drought is predicted to develop in most of Kansas through the spring, causing deterioration in pastures. Drought could also cause problems with the winter wheat.

A concern for farmers is the rising cost of fuel and fertilizer. Fuel prices have come down, but prices are still higher than they were a year ago. As a result of high fuel and fertilizer costs, the U. S. Department of Agriculture is predicting the U.S. net farm income will be lower in 2006 than 2005. The net farm income will still be slightly above the average for the previous ten years.

Business confidence and cash flow is one of the positive factors in the 2006 Economic Outlook.

A risk factor in 2006 could be another spike in energy prices.

Firms in most areas of Kansas are planning a moderate increase in employment for the coming months.

Most private sector economist predict solid economic growth in 2006 in both the U.S. and Kansas. (Attachment 3)

Chairperson Gordon thanked Mr. Keeton for the informative report.

The meeting adjourned at 4:55 pm. The next meeting is scheduled for March 2, 2006.

KANSAS

DEPARTMENT OF COMMERCE
HOWARD R. FRICKE, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

February 16, 2006

Lana Gordon, Chair
House Economic Development Committee
Kansas House of Representatives
Capitol Bldg., Room 143-N
Topeka, Kansas 66612

RE: Information Request/House Bill 2194

Dear Representative Gordon:

Thank you for the opportunity to discuss House Bill 2194. In response to requests for information, enclosed please find the following:

- (1) 20 copies of the most recent Annual Report for Older Kansans Employment Programs (OKEP);
- (2) Attendance Rosters for the State and Local Workforce Investment Boards (LWIB's) (some, if not all, of the LWIB's have attendance policies allowing for removal of members who fail to attend meetings); and
- (3) A copy of Executive Order 01-06, which establishes the Workforce Network of Kansas as the State Workforce Investment Board.

One inquiry involved whether the Legislature could either direct the Department of Commerce to segregate an identifiable amount of Workforce Investment Act (WIA) funds for older workers or direct the LWIB's to allocate WIA funds for older workers. This is potentially a very complex issue that could touch upon the separation of powers between the legislative and executive branches, the Legislature's ability to essentially "appropriate" federal funds, as well as the fact that virtually all these funds pass through from the state level to the local boards for allocation and expenditure. We have asked the United States Department of Labor (USDOL) to comment on this issue and will supplement this response when that information is available.

Another question related to how the LWIB's provide notice of their meetings. We asked the local boards to provide that information and believe that all local boards provide adequate notice of their meetings. For example, Local Area III both posts the information on its website and mails notices of meetings with related information to all interested parties. 29 USCA 2832(e) requires local boards to make available to the public, through open meetings, information regarding the activities of the local board. We are not aware of any instances where interested parties are unable to either obtain adequate notice of meetings or participate in the local boards meetings.

1000 S.W. JACKSON STREET, SUITE 100, TOPEKA, KANSAS 66612-1254

Phone: (785) 296-1913 Fax: (785) 296-6809 e-mail: legal@kan

TTY (Hearing Impaired): (785) 296-3487 www.kansascommerce.com

House Economic Development
Attachment 1
2-16-06

Commerce would also like to take this opportunity to provide the Committee with additional information relative to the numbers of older workers currently being successfully served through existing programs. The following table identifies the number of older workers served and the program funding sources.

Older Workers Served Program Year 2004			
Program	Number Served	Percentage Served	Funding Source (percentage)
WIA One Stop System	7092	75.9	Federal (100%)
SER Older Worker Program	450	4.8	Federal (100%)
Senior Community Service Employment Programs (SCSEP)	172	1.8	Federal (95.3%) Local (4.2%) State EDIF (0.5%)
Older Kansas Employment Program (OKEP)	1633	17.5	State EDIF (100%)
Total	9347	100	

While the testimony presented at the hearing may have painted a negative picture of what is currently being done to serve older workers in Kansas, it should be noted that excellent working relationships exist between Older Kansans Employment and One Stop program staff in all locations. Both have worked hard and done a good job in coordinating the services provided older workers. Local Area III, for example, has implemented a project with the Area Agency on Aging in which OKEP staff provides supplemental outreach services as well as additional counseling and case management services to older workers in Area III. This project has significantly increased the number of older worker clients enrolled in WIA training in Local Area III by increasing the accessibility of older worker clients to the One Stop system. In this instance they have jointly developed complimentary services. We anticipate this type of collaboration to increase and result in enhanced access to these services.

Hopefully the information enclosed is responsive to your request. We will supplement this information as we hear from USDOL. If you need additional information or have further questions regarding this matter, please let me know.

Sincerely,



Robert E. North
Chief Attorney

Enclosures

cc: Kathie Sparks
Steve Kelly
Rae Anne Davis
Blake Flanders
Armand Corpolongo
Patricia Clark

EXECUTIVE ORDER NO. 01-06***DESIGNATION OF THE STATE WORKFORCE INVESTMENT BOARD AS THE WORKFORCE NETWORK OF KANSAS***

WHEREAS, The Workforce Investment Act of 1998, 29 U.S.C. Sec. 2801 et. seq., calls for the Governor to establish a State Workforce Investment Board, and the Act provides for the designation of any established State entity in existence on December 31, 1997 (including a State council, State workforce development board, or combination of regional boards) as the State workforce investment board [29 U.S.C. Sec. 2821 (a) & (e)]; and

WHEREAS, The Kansas Workforce Investment Partnership created through Executive Orders 99-6 and 96-3 fulfills the requirements of the Workforce Investment Act of 1998, 29 U.S.C. Sec. 2801 et. seq.;

WHEREAS, The Kansas Workforce Investment Partnership was established to increase the effectiveness of the training and employment system through combined boards and enhanced cooperation and collaboration among stakeholders at the local and State levels;

WHEREAS, A multi-partner, multi-component system exists within Kansas comprised of Local Workforce Investment Area boards, Kansas state agencies, multi-service centers, single service centers, community based organizations and electronic job matching; and

WHEREAS, These individual components have valid and important missions which can be enhanced through continued cooperation and collaboration; and

WHEREAS, Benefits to the several components will be realized through identification as a partner within a system; and

WHEREAS, The Kansas Workforce Investment Partnership in its advisory capacity to such a system, has chosen the name of Workforce Network of Kansas to identify such a multi-partner, multi-component system;

NOW THEREFORE, pursuant to the authority vested in me as Governor of the State of Kansas, I hereby change the name of the Kansas Workforce Investment Partnership, created through Executive Order 96-3, to the Workforce Network of Kansas Board and designate the Workforce Network of Kansas Board as the State workforce investment board as set forth in 29. U.S.C. Sec. 2821 (a) & (e).

(1) Membership. The membership provisions of Executive Order No. 96-3 and 99-6 shall remain in full force and effect and are:

(a) Membership of the Workforce Network of Kansas Board shall be by official commission of appointment by the Governor, certified by and filed with the Secretary of State.

(b) The membership shall be composed of such representatives as may be required by applicable federal or state law, including members from each of the following sectors:

- (i) state government;
- (ii) local units of government;
- (iii) education;
- (iv) private sector businesses;
- (v) labor;
- (vi) community-based organizations; and
- (vii) the general public.

(c) Consistent with federal law, the Governor may appoint ad hoc non-voting members to the Workforce Network of Kansas Board.

(d) The Chairperson of the Workforce Network of Kansas Board shall be a member representing the private sector and appointed by the Governor by official commission of appointment of the Governor, certified by and filed with the Secretary of State. The Chairperson shall serve at the pleasure of the Governor. A Vice-chairperson shall also be appointed by the Governor by official commission of appointment of the Governor, certified by and filed with the Secretary of State, and shall serve at the pleasure of the Governor.

(e) The Workforce Network of Kansas Board shall meet upon the call of the chairperson as necessary to carry out its duties under this Executive Order.

(2) Compensation. Members of the Workforce Network of Kansas Board shall receive no compensation. To the extent permitted by law, the Workforce Investment Act, and the School-to-Work and One-Stop Career Center grants, members of the Workforce Network of Kansas Board shall receive subsistence allowances, mileage, and expense reimbursements as provided in K.S.A. 75-3223 and amendments thereto for travel to and attendance at official meetings of the Workforce Network of Kansas Board. The subsistence allowances, mileage and expense reimbursements shall be paid from available appropriations of the Kansas Department of Human Resources, except that expenses of state agency representatives shall be paid by the agencies represented.

(3) Duties The duties of the Workforce Network of Kansas Board shall be to provide information to the Governor, Legislature, appropriate

public and private agencies and the public on matters pertaining to employment and training programs, services and facilities, serve as a reviewing board for employment and training program implementation plans, serve as the advisory board to the Workforce Network of Kansas, and to assist the Governor in:

- (a) Development of the State plan;
- (b) Development and continuous improvement of a seamless, collaborative, universally accessible "statewide workforce investment system;"
- (c) Development of linkages to assure coordination and non-duplication of employment and training services;
- (d) Designation of local areas;
- (e) Establishment of criteria for use by local elected officials in appointing members of local workforce investment boards;
- (f) Review of local area plans;
- (g) Development of allocation formulas for distribution of funds for adult and youth employment and training activities to local areas;
- (h) Development and continuous improvement of comprehensive State performance measures;
- (i) Preparation of annual reports to the U.S. Secretary of Labor;
- (j) Development of the statewide employment statistics system described in the Wagner-Peyser Act;
- (k) Development of applications for incentive grants under Workforce Investment Partnership (WIA), successive legislation, and other applicable federal programs; and
- (l) Performing any additional duties as may be required by current and future applicable employment and training federal laws and amendments thereto.

Any provision of Executive Order 96-3 or Executive Order 99-6 inconsistent with the provisions provided above is hereby rescinded.

This document shall be filed with the Secretary of State as Executive Order No. 01-06 and shall become effective immediately.

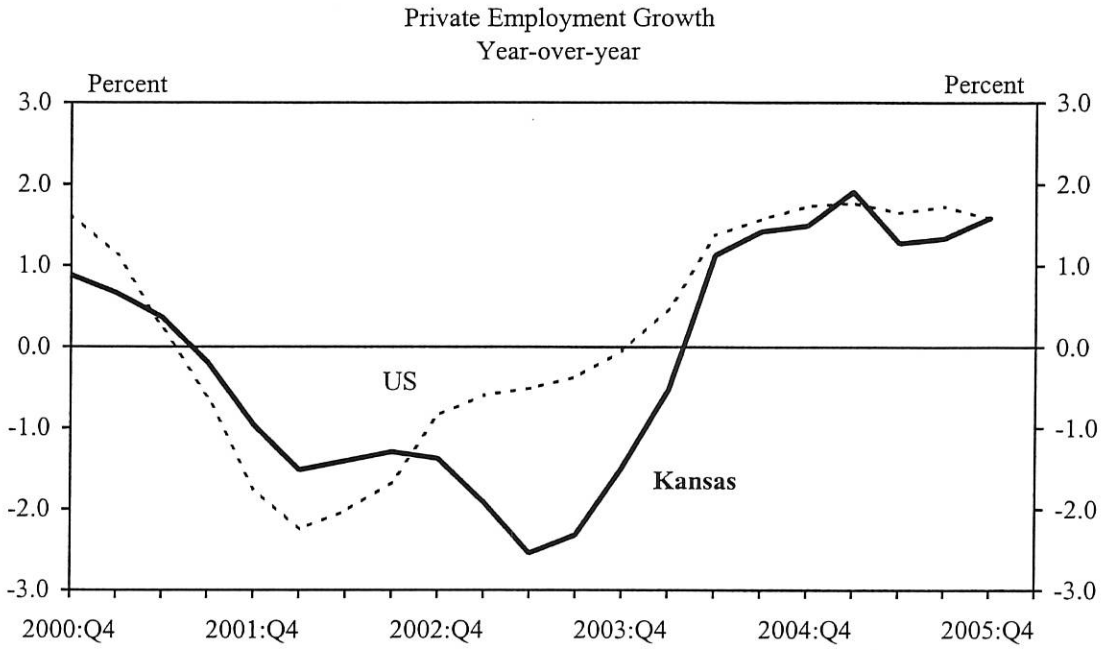
The Kansas Economy: Review and Outlook

Presentation to
House Economic Development Committee
Kansas State Legislature
February 16, 2006

Bill Keeton
Assistant Vice President
Economic Research Department
Federal Reserve Bank of Kansas City

The views expressed are solely those of the author and do not necessarily represent those of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

The Kansas economy grew solidly in 2005

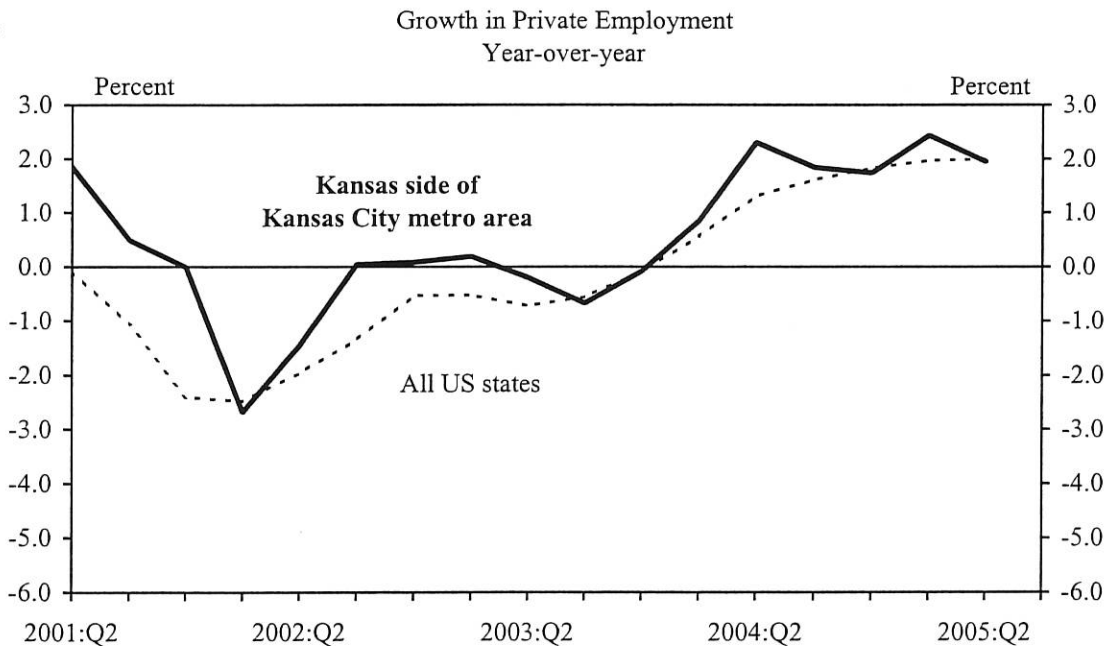


Source: Bureau of Labor Statistics



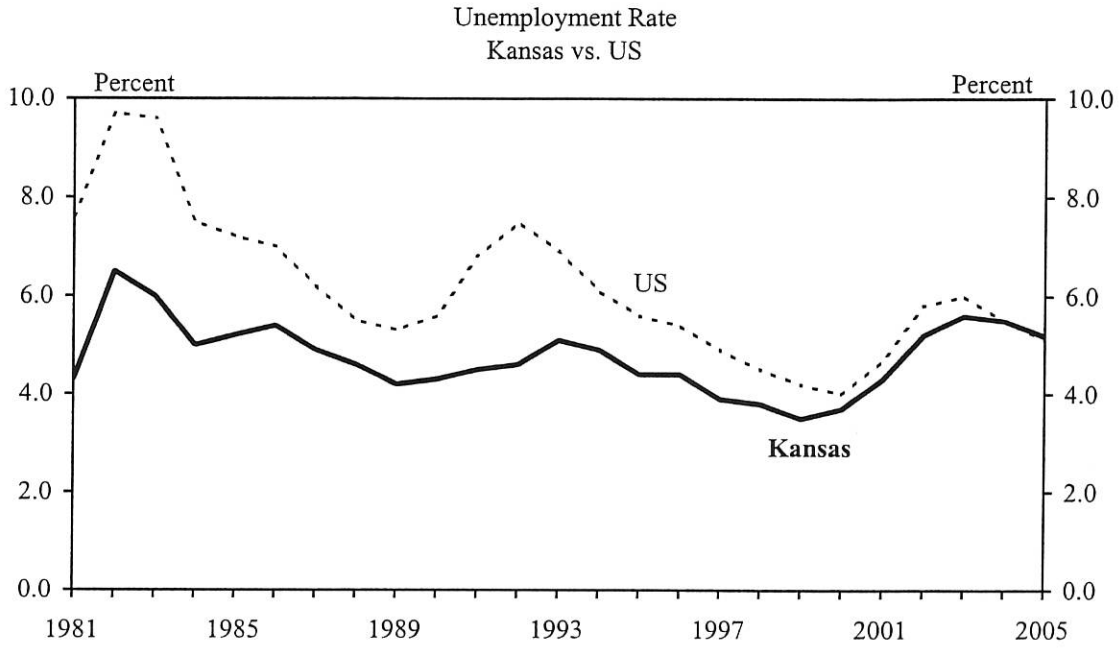
Source: Bureau of Economic Analysis

Job growth has been strongest on the Kansas side of the Kansas City metro area



Source: Bureau of Labor Statistics

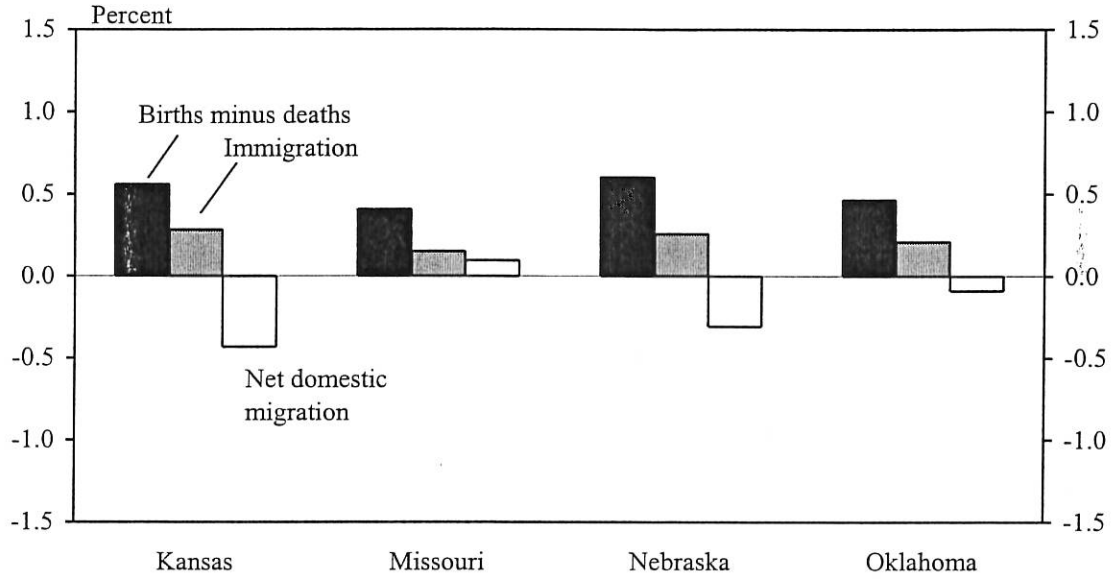
Unemployment is now the same in Kansas as the U.S., but labor force participation is still much higher



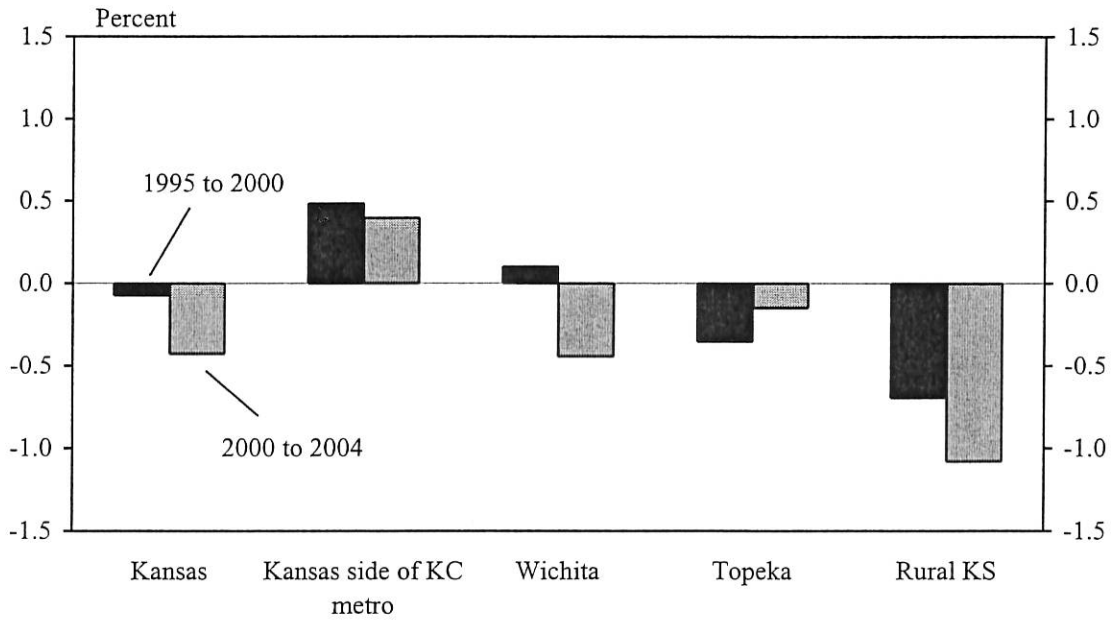
Source: Bureau of Labor Statistics

More people have been moving out of Kansas than moving in

Sources of Annual Population Growth
July 2000 to July 2005



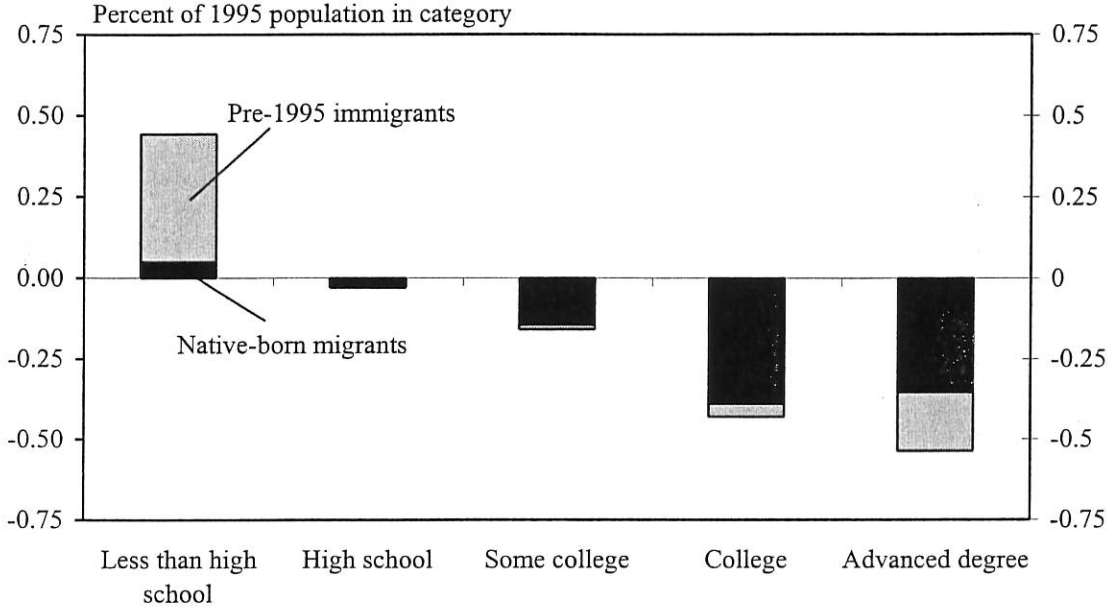
Annual Net Domestic Migration



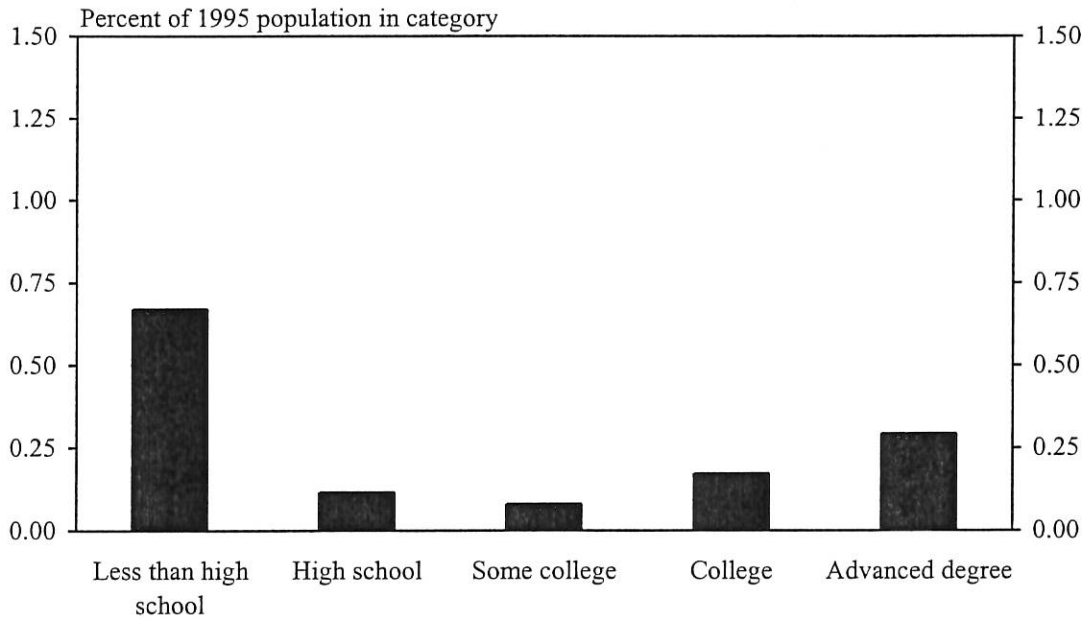
Source: Census Bureau

Is there a brain drain in Kansas?

Annual Net Domestic Migration by Educational Category, 1995-2000



Annual Immigration from Abroad by Educational Category, 1995-2000



Source: Census Bureau

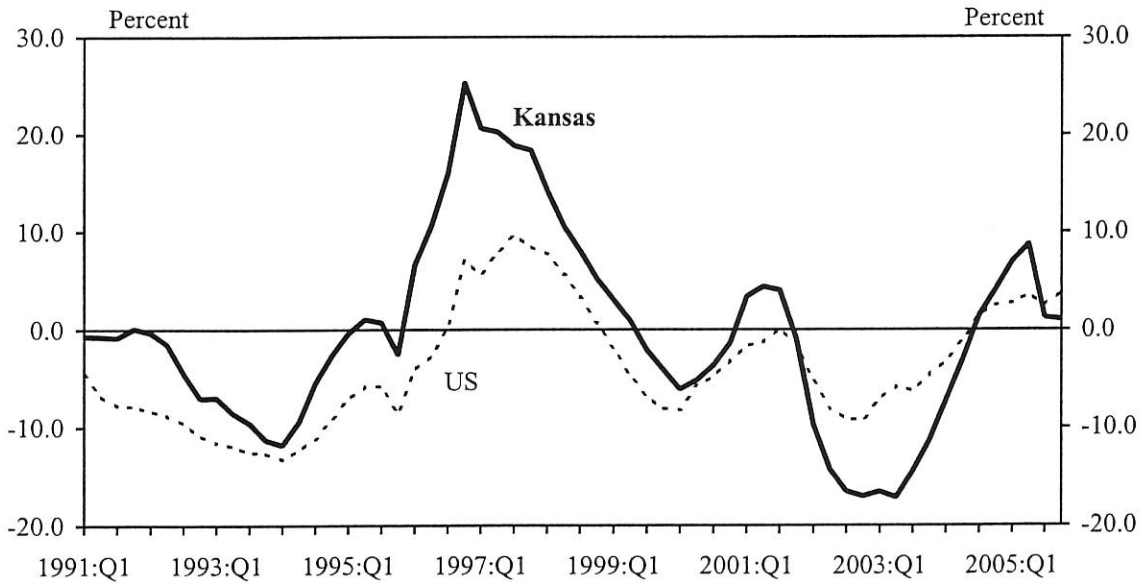
The aircraft industry is rebounding

Annual Orders for Boeing Commercial Airplanes



Source:

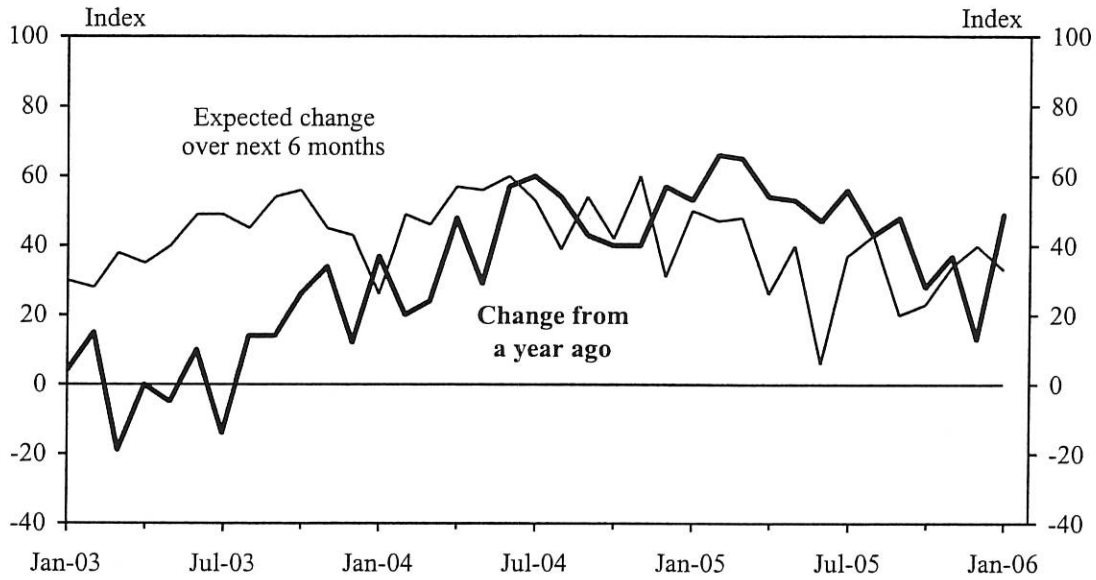
Aircraft Manufacturing Employment Growth
Year-over-Year



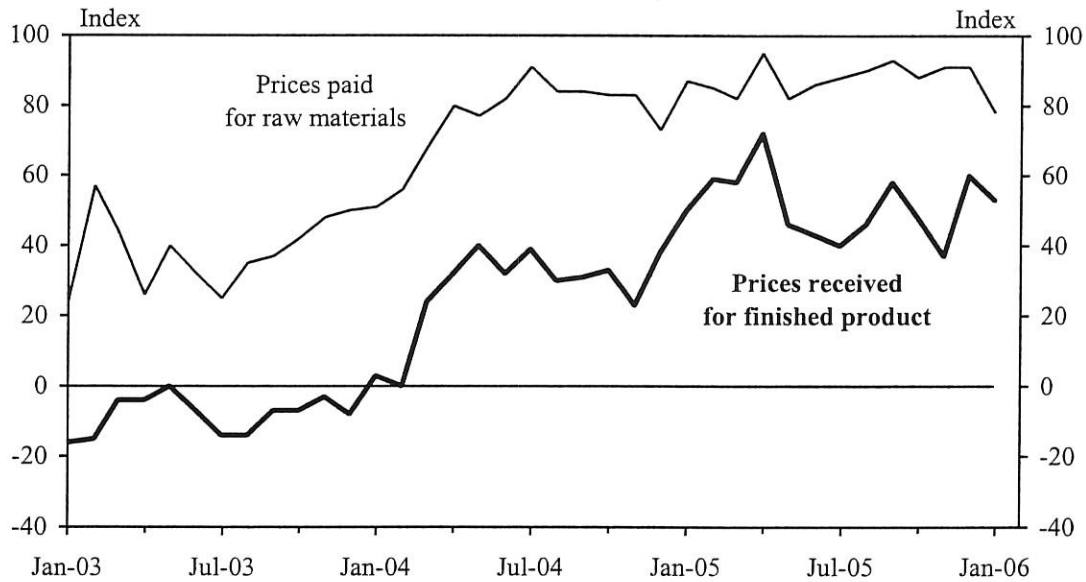
Source: Bureau of Labor Statistics

Activity at smaller manufacturers has been solid despite sharply rising input costs

Production Indexes for Kansas Manufacturers



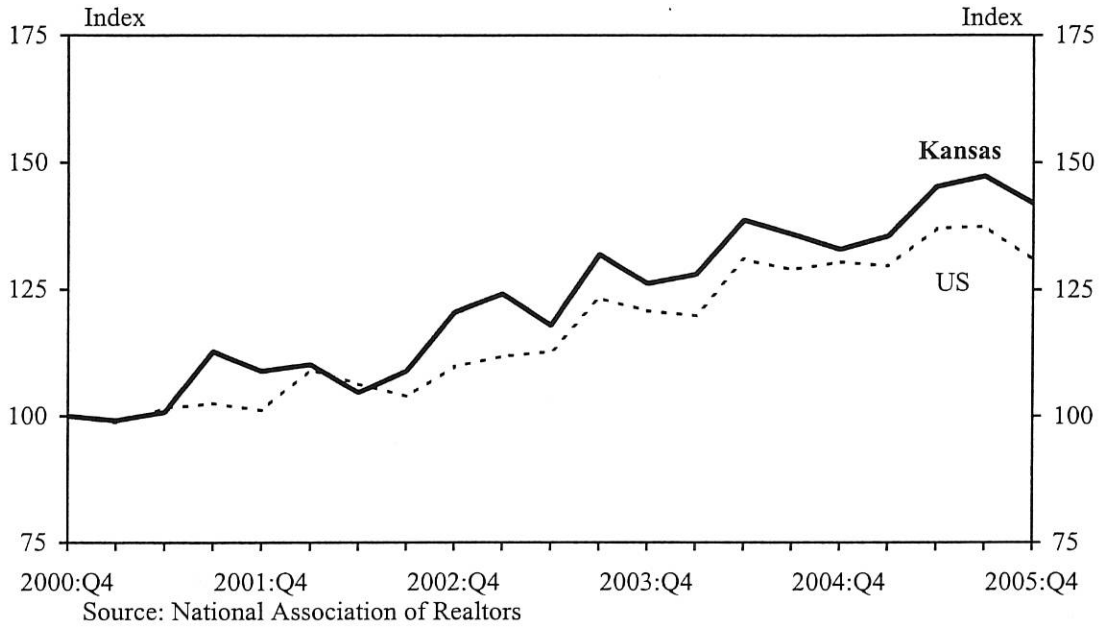
Price Indexes for Kansas Manufacturers
Change from a year ago



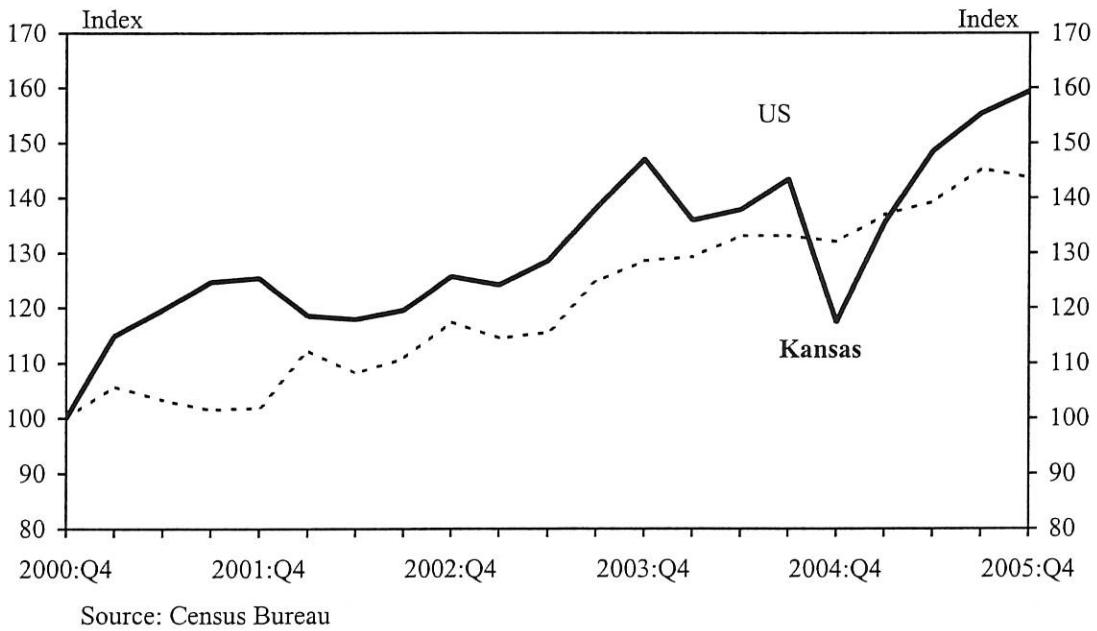
Source: FRBKC Manufacturing Survey

Housing activity has remained strong

Existing Home Sales

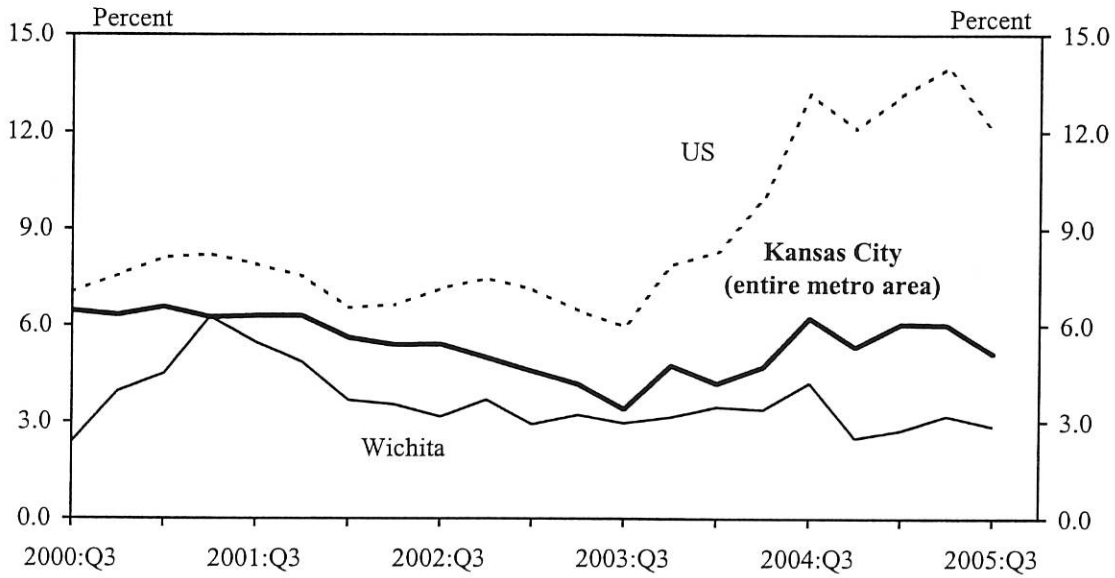


Single-Family Permits



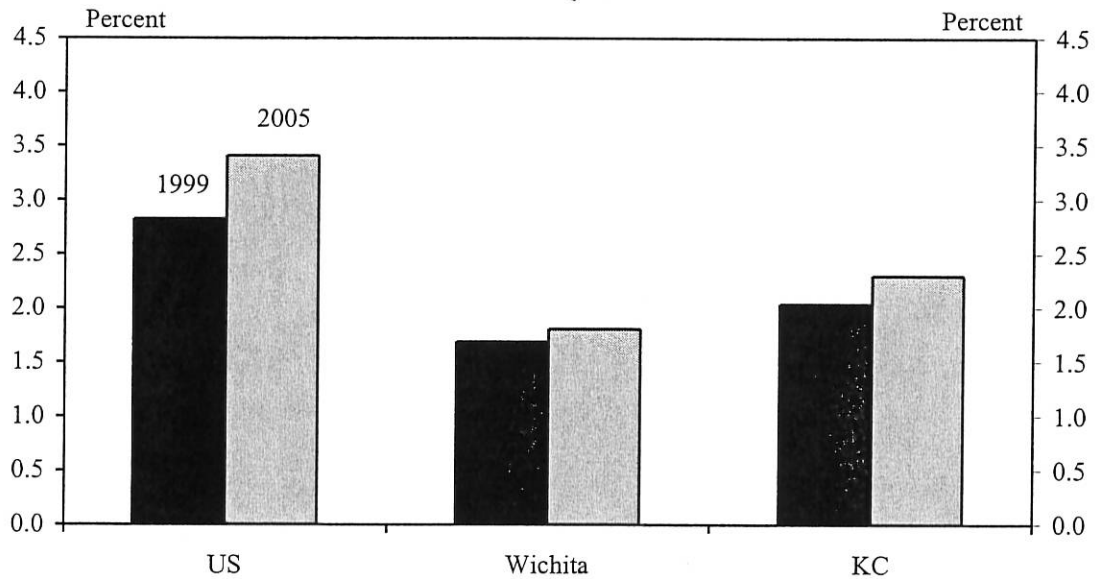
Housing inflation has been more subdued than in the U.S.

Year-Over-Year Growth in Home Price Index



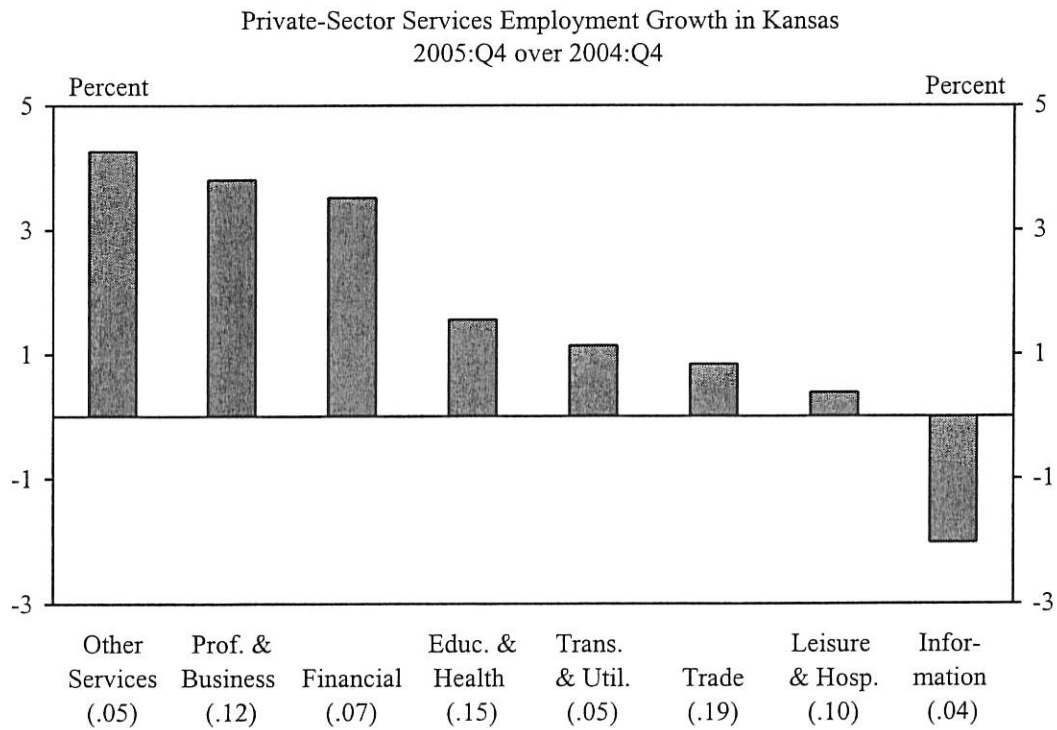
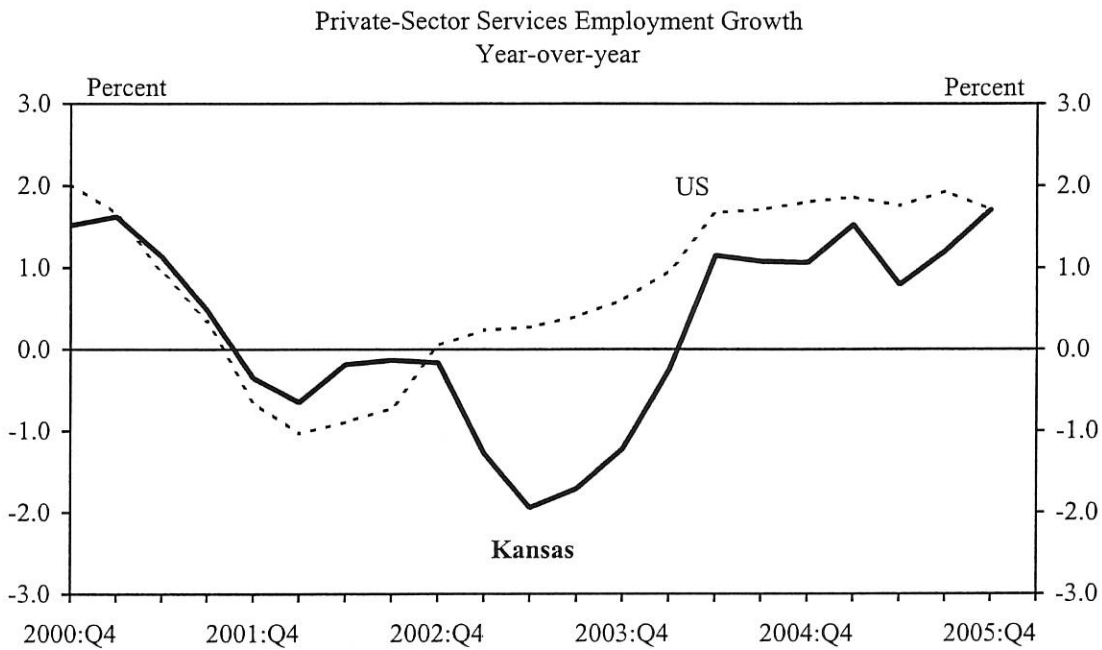
Source: OFHEO

Ratio of Median Home Price to Median Family Income
Second Quarter



Source: National Association of Realtors, HUD

Most service sectors are growing solidly

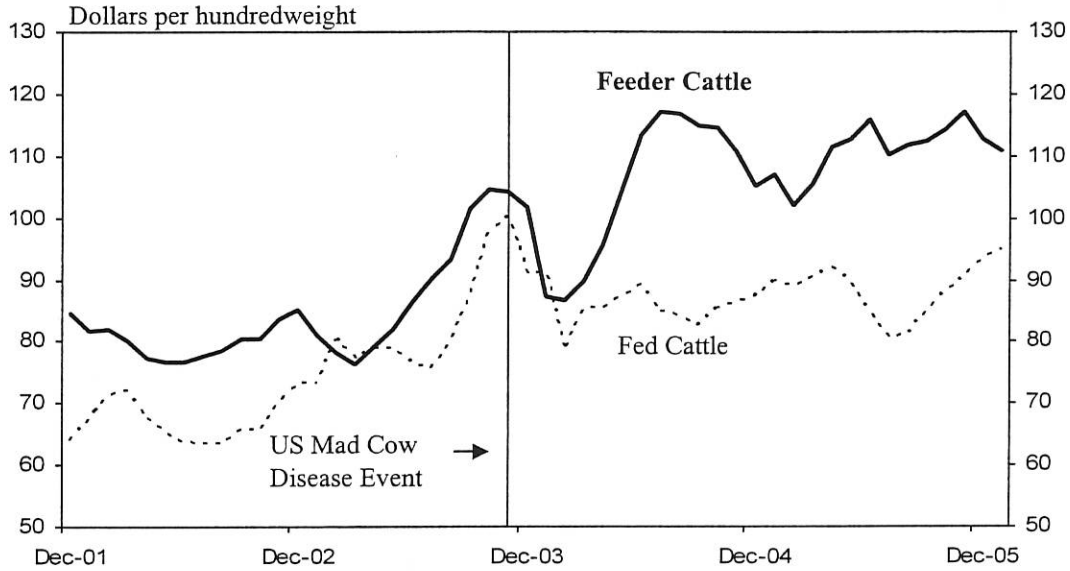


Source: Bureau of Labor Statistics

Note: Number in parentheses is sector's share of total private employment

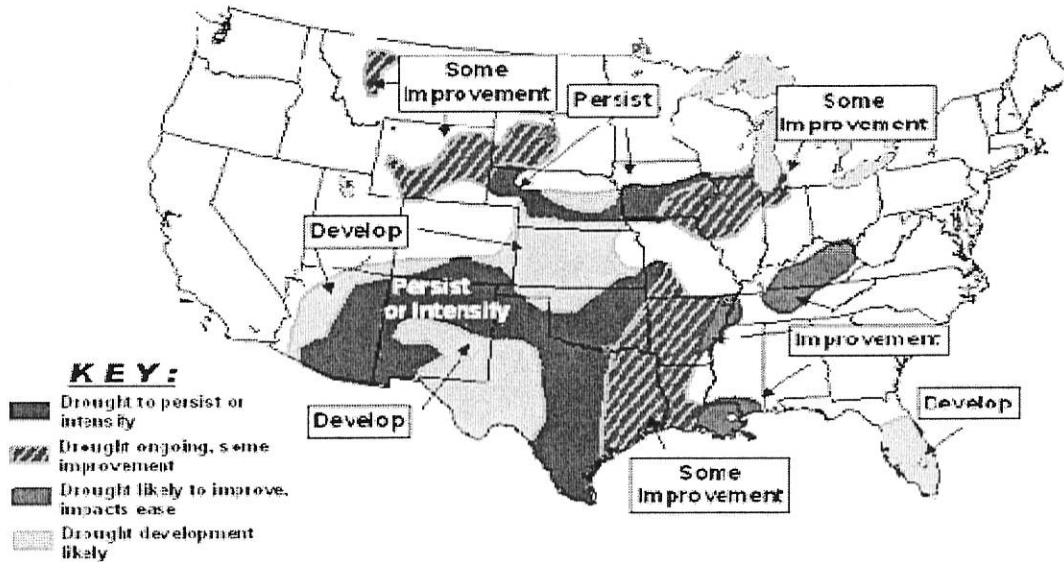
In the farm sector, cattle prices remain high but the drought is worsening somewhat

Cattle Prices



Source: USDA

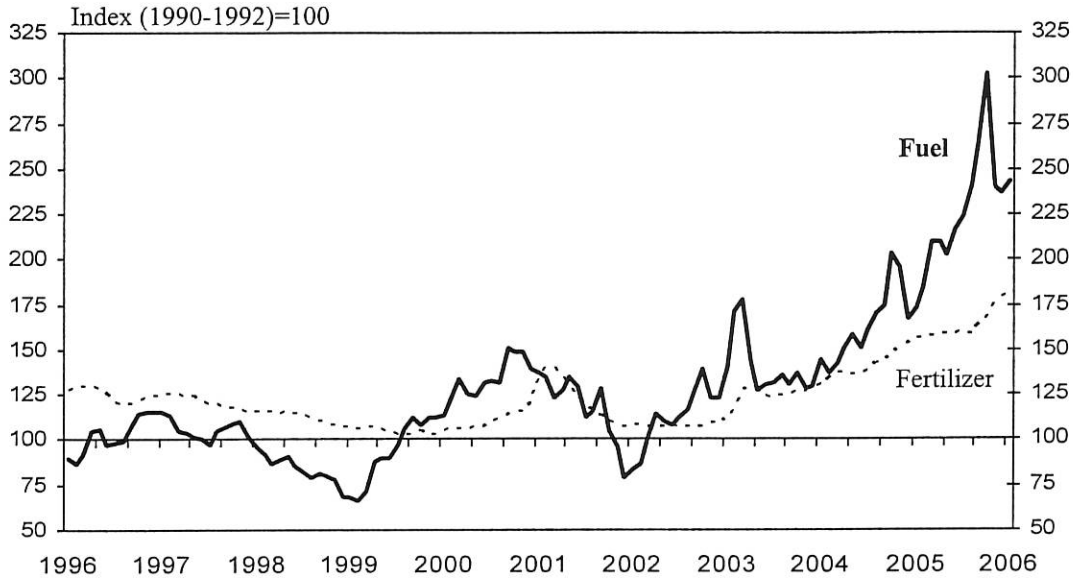
Seasonal Drought Outlook Through April 2006



Source: National Drought Mitigation Center, University of Nebraska

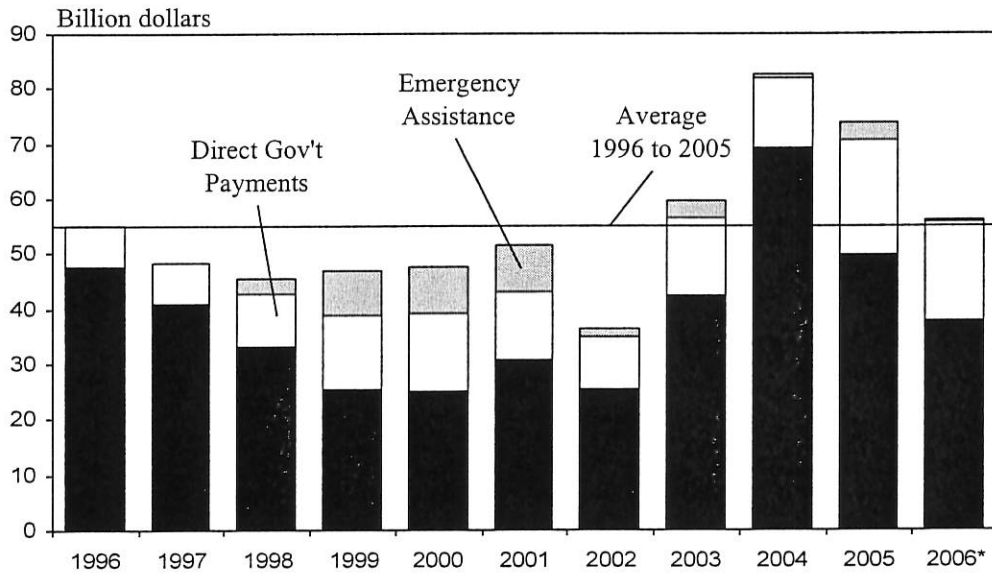
Rising fuel and fertilizer costs will reduce farm incomes somewhat in 2006

Fuel and Fertilizer Prices Paid by Farmers



Source: USDA

U.S. Net Farm Income



Source: USDA

* Forecast: February 2006

Economic Outlook for 2006

Positive factors:

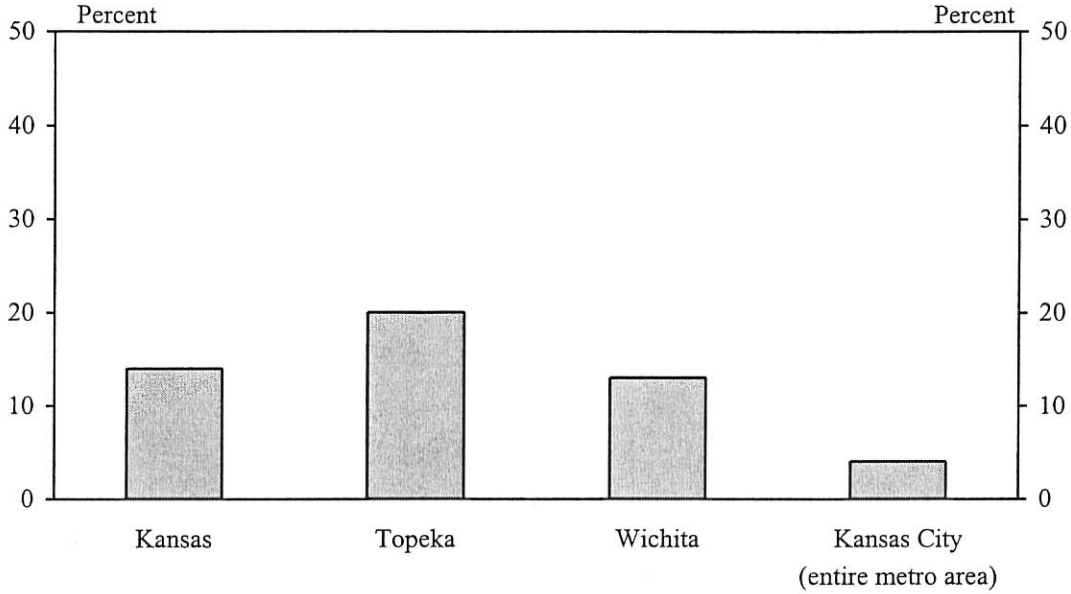
- Business confidence and cash flow are both strong, which should lead to more capital spending and hiring
- Continued job growth and productivity gains should boost household incomes, helping sustain consumer spending
- Stronger growth in demand for U.S. exports should help manufacturers

Risks:

- Geopolitical disturbances could lead to another spike in energy prices
- Housing activity could slow more than expected due to a correction in home prices or rise in mortgage rates (more of a risk for hot housing markets on the coasts than for Kansas)

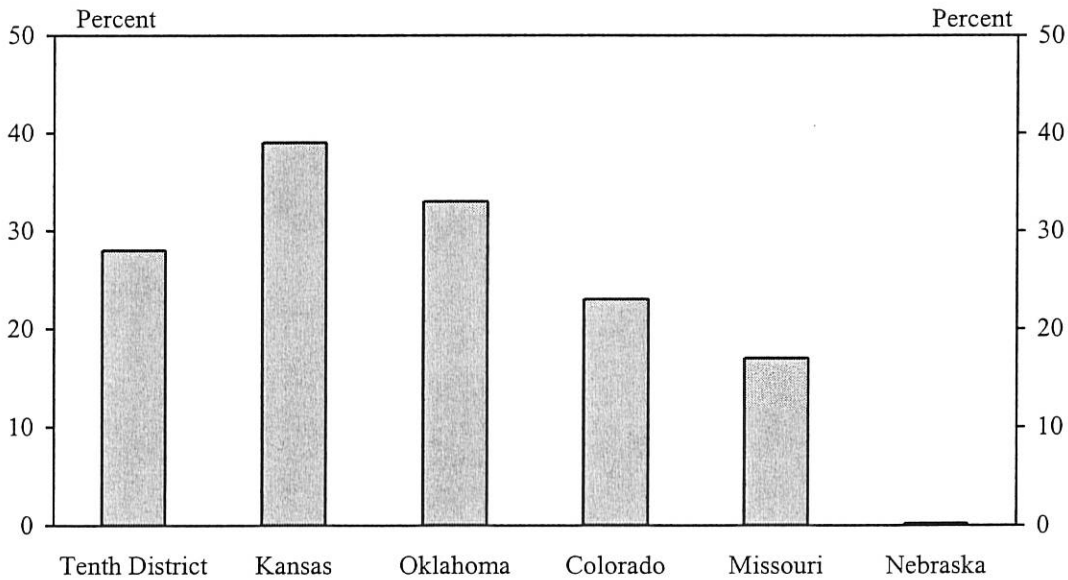
Kansas firms plan moderate increases in employment in coming months

Net Percentage of Firms Planning to Increase Employment in First Quarter of 2006



Source: Manpower Employment Outlook Survey

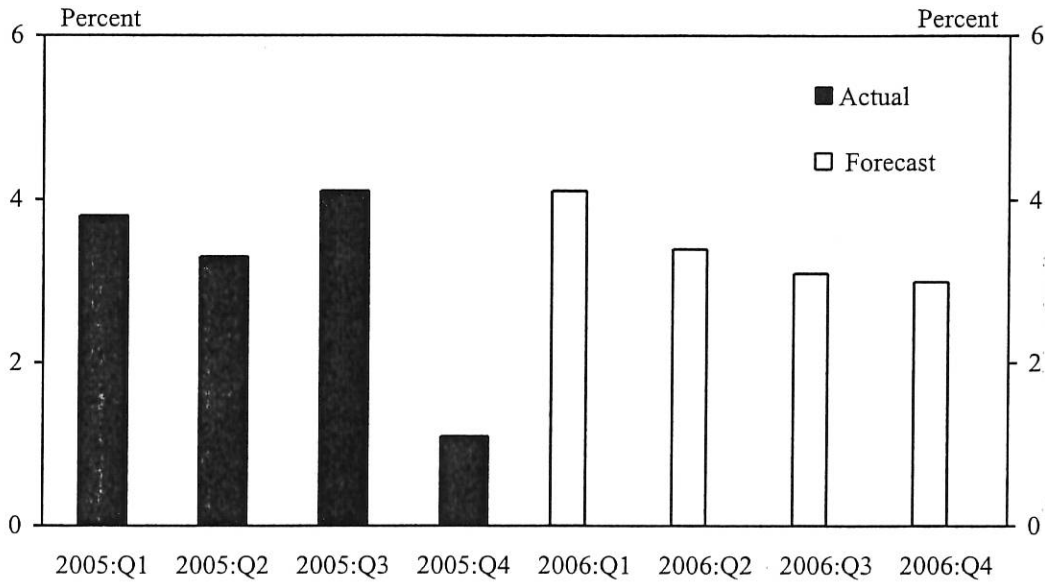
Net Percentage of Manufacturers Planning to Increase Employment in the Next Six Months



Source: FRBKC Manufacturing Survey

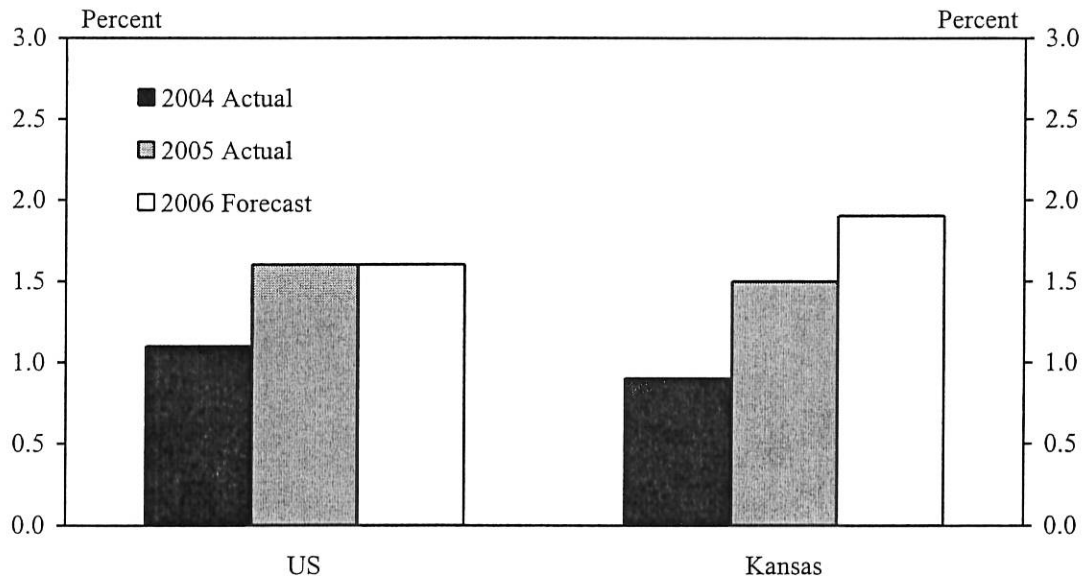
Most private sector economists predict solid economic growth in 2006 in both the U.S. and Kansas

Blue Chip Forecast for Real GDP Growth



Source: Blue Chip

Economy.com Forecast for Annual Employment Growth



Source: Economy.com