Approved Date: February 6, 2001

MINUTES OF THE HOUSE COMMITTEE ON NEW ECONOMY.

The meeting was called to order by Chairperson William Mason at 3:30 p.m. on January 30, 2001 in Room 522-S of the Capitol.

All members were present except: Representative Ray Cox - E
Representative Valdenia Winn - E
Representative Gwen Welshimer -E

Committee staff present: Lynne Holt, Legislative Research Department
Rose Marie Glatt, Secretary

Conferees appearing before the committee: Richard E. Beyer, Secretary, KS Department of Human Resources

Others attending: See Attached List

The Chairman introduced Richard Beyer, Secretary, Department of Human Resources who addressed the committee on workforce development in the state (Attachment 1). He stated there is a silent crisis in Kansas and employers cannot find enough people with the right skills to fill the existing openings throughout the state. There are approximately 100,000 openings and roughly 50,000 unemployed people, with a low unemployment rate of 3.2. The economy has undergone tremendous changes in the past 10 years and technology will continue to propel the new economy, creating new jobs and altering the skill mix required to succeed. There is also a mismatch between the location of workers and available jobs resulting in losses for businesses as well as tax revenues for the state. The Department of Human Resources believes that workforce development is economic development and worthy of investment.

He outlined TARGET, a state employment trust fund; a bill that was introduced this morning in the Senate Commerce Committee. TARGET would allow the department to capture taxes sent to Washington, retain them in Kansas, and then use the interest from the fund for workforce investments. The plan would provide resources for **T**raining, **A**ssessment, **R**ecruiting, A **G**ateway to services, **E**mployment centers and **T**ransition support for employers and employees. There are eight legislation critical features: (1) Divert 50% of the unemployment insurance benefits tax from the federal government into the TARGET trust fund in the Kansas treasury, (2) A four-year diversion would create a TARGET fund of about $400 million, (3) Interest of about $20-$30 million a year would be available for TARGET investment, (4) Five-year sunset. If sunset, state trust funds return to the federal trust fund, (5) Target initiatives advised by business, labor and civic leader panel and then subject to formal appropriations processes, (6) TARGET funds not available for general state government, (7) Kansas joins 29 other states already using a state trust fund and (8) TARGET provides essential funding for transition from JTPA to WIA and from federal control to local control of workforce development. In summary he stated that Kansas has the opportunity to make strong improvements in the labor exchange system, however without a plan Kansas will soon be forced to downsize and pull back into the delivery of only core services in limited locations. He stood for questions.

The issue of re-training disabled persons to fill employment needs was discussed by Roger Aeschliman, Deputy Secretary. He stated that there could be programs developed if funds were available.

The downside of TARGET was discussed. The Secretary gave several reasons people are not supportive of the initiative; the Chamber of Commerce is not fully endorsing the plan and if the money is spent in the wrong place and does not expedite employment, the interest earned would not build up for the payment of benefits, which could ultimately cause a tax increase. The Secretary also believed that more states are not participating in this program because they do not know what they need or how much money they lack to drive the workforce development.

The fact there is no central location in the state where one coordinate’s all the information on all job needs and available employees was addressed. Barb Reavis, Workforce Development Coordinator, stated that without funding that remains a long range goal. Mr. Aeschliman explained the Federal Government & Workforce

Investment Act of 1988 and the lack of supporting funds to accomplish what the act requires.

The criteria used for compilation of data in the department's reports was questioned as well as methods used for recruiting employees from other states.

The Chairman asked for data regarding the current status of unemployment funds verses what they were before the moratorium. The Secretary stated that as of last Friday there was $480 million dollars in the fund while there was $734 million dollars before the moratorium. He reviewed the history of the fund and was questioned whether the state was trying to build the fund to justify the use of the money. The Secretary stated that there was no tax increase connected to the fund. He was asked what the enabling legislation was in order to access those funds and Mr. Aeschliman replied that it is technical in nature: businesses would get two notices, one for the state tax and one for the federal tax for each trust fund. One check would be sent from the businesses and a state entity would set up two funds, one for receiving and disbursements.

Three impediments and barriers for training in vocational schools were explained; lack of a statewide detailed employment plan, lack of commitment by the state and lack of funding are the main obstacles. The problems of overcrowded vocational schools and community colleges as well as good programs that lack qualified students were addressed. Joint partnerships between private/public sectors for training purposes were discussed. The advantages offered at the railroad school in Kansas City were mentioned and the Chairman stated that it might be of interest for the committee to see the facility and he would check further.

The next meeting is February 5 .

The Chairman adjourned the meeting at 5:10 p.m.