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# Interim Joint Committee on Tourism, Small Business, and Information Technology

### Minutes of the<MeetNo1> 1st Meeting

### of the 2018 Interim

### <MeetMDY1> June 21, 2018

**Call to Order and Roll Call**

The<MeetNo2> 1st meeting of the Interim Joint Committee on Tourism, Small Business, and Information Technology was held on<Day> Thursday,<MeetMDY2> June 21, 2018, at<MeetTime> 10:00 AM, in<Room> Ghent, Ky. Senator Alice Forgy Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members:<Members> Senator Alice Forgy Kerr, Co-Chair; Representative Diane St. Onge, Co-Chair; Senators Perry B. Clark, Jimmy Higdon, Stephen Meredith, Wil Schroder, and Reginald Thomas; Representatives Linda Belcher, John Blanton, Jeffery Donohue, Robert Goforth, Jim Gooch, Jr., David Hale, Chris Harris, Kim King, Michael Meredith, Rick Nelson, Melinda Gibbons-Prunty, Brandon Reed, John Sims, Jr., and Jill York

Guests: John Farris, Vice President and General Manager, Nucor Steel Gallatin

LRC Staff: Carla Montgomery, Andrew Manno, Chip Smith and Emma Mills

Chairwoman Kerr welcomed Representative Rick Rand, representative of District 47 in which Nucor Steel Gallatin is located; Megan McCain, Field Representative for Senator Mitch McConnell; and Stacie Rockaway, Field Representative for Congressman Thomas Massie.

Representative Webber made a motion to approve the minutes of the May 21st, 2018 meeting of the Interim Joint Committee on Economic Development and Workforce Investment, seconded by Representative Wuchner. The motion passed by voice vote.

**Nucor Steel Gallatin**

John Farris, Vice President and General Manager of Nucor Steel Gallatin discussed Nucor Steel’s presence in Kentucky, including investments in various steel processing plants along the Ohio River. Nucor Steel initially began in 1905 as REO Motor Company under Ransom E. Olds, specializing in Department of Defense contracts. In 1955, the company was sold to Nuclear Constultants, Inc. to form the Nuclear Corporation of America. Under Ken Iverson, Nuclear Corporation of America started investing in steel technologies, selling off inefficient divisions in nuclear technologies. In 1971, Nuclear Corporation of American was shortened to Nucor, and was listed on the New York Stock Exchange in 1972.

Mr. Farris discussed Nucor’s goals as a company, including “Pay for Performance,” an incentivized pay scale, noting that for the average employee, 2/3 of their take-home pay is dependent on how well the plant runs; “Right to be Treated Fairly,” which gives employees an opportunity to give feedback on the management of the company; “Avenue of Appeal,” an open-door policy providing employees the right to air grievances or disagreements without fear of retributions; and “Do Your Job Well and Have it Tomorrow,” an assurance to employees that there will not be layoffs during downturns in the market. Mr. Farris noted that Nucor has never laid off an employee due to lack of work. Another employee incentive discussed is the Nucor Foundation, which provides college scholarships to every child, spouse and employee of Nucor.

Mr. Farris told the committees that Nucor is the largest steel producer in the United States, capable of producing about 27 million tons of steel per year. Nucor is also North America’s largest recycler, recycling 18.8 million tons in 2017; 100% of the steel produced by Nucor is from scrap steel. The company also employs more than 25,000 in over 200 facilities across North America. Nucor is the number one producer of structural steel, rebar steel, merchant bar steel, cold finish bar steel, joist and deck, rebar fab and distribution, steel piling distribution, and metal buildings in North America. Mr. Farris pointed out Nucor also falls well below the national industry average of occupational injury & illness rates.

The plant in Ghent, Kentucky produces sheet metal specifically. Nucor acquired the Gallatin Steel Company in 2014, primarily for its location and a good cultural fit with the company. Nucor immediately impacts 14 additional steel processing, recycling and scrap metal companies in the state. In additional to the sheet metal processing, Nucor Steel Gallatin is currently building additional facilities onsite, a $176 million investment, to produce galvanized steel to be opened for production in 2019. It will be the largest facility in terms of production capability in the world. Mr. Farris thanked the legislators on behalf of the company for being supportive of Kentucky’s manufacturing base.

Environmentally, Nucor produces approximately half of CO2 emissions than the global average. Mr. Farris says the amount of energy saved from being a scrap based steel plant could power about 500,000 Kentucky homes for a year.

Mr. Farris emphasized the impact American steel has on the economy, both nationally and within Kentucky. Nationally, the steel industry supports about two million jobs and contributes $520 billion to the economy. In Kentucky, 39,782 jobs are supported by the steel industry, while it contributes $11.3 billion to the economy. The Nucor Steel Gallatin plant generates about $1 billion per year in sales revenue. Kentucky manufacturing holds the 6th highest share of gross state product in the United States.

Responding to questions from Representative St. Onge about the integrity of recycled steel, Mr. Farris says that steel can be recycled indefinitely though the residual content of the steel does increase. To combat this problem, they add more raw iron units to the steel mix to drive residuals back down. Structurally, the steel maintains its integrity through the recycling process. In an additional question from Representative St. Onge, Mr. Farris says the Nucor Steel Gallatin plant has not experienced shortages qualified job applicants. The company works with local educational and technical schools that provide skilled workers if positions become available that are not filled from within the company. They estimate they have forty or fifty qualified applicants for each open position, although they acknowledge maintenance positions are harder to fill.

In response to a question from Representative Belcher regarding employee training, Mr. Farris indicated Nucor does not have a formalized apprenticeship program, but employees are trained in house by shadowing trained employees. The company partners with BCTC and local technical schools to provide an avenue for hiring into positions.

Responding to a question by Senator Kerr about the number of companies/customers that Nucor Steel Gallatin has contact with or takes care of, Mr. Farris and his colleagues estimated the plant does business with 25 other companies in the Kentucky/Southern Indiana/Southern Ohio area and serves about 40 customers. Mr. Farris also estimated that 80% of their sale output is consumed within a 200 miles radius of the plant. In response to an additional question from Senator Kerr, there will be 75 additional jobs added with the expansion of the new facility at the plant.

In response to a question from Representative King, Mr. Farris indicated the company started working on plans for their expansion in 2015, though there was no specific legislation through the Kentucky General Assembly to incentivize the expansion.

Responding to a question from Representative Koenig regarding tariffs implemented by the Federal Government, Mr. Farris acknowledged that the company’s order numbers have gotten stronger but he attributes that more to the recent tax plan passed by Congress moreso than instituted tariffs. Nucor supports the tariffs in general to limit cheaper imported steel in the market.

In response to a question from Representative Wuchner, Mr. Farris repeated that between 1971 and 2017, the steel production capability has been reduced by 60 million tons per year though the demand has increased. Mr. Farris went into detail about how the facility evaluated the chemical composition of all of the scrap metal coming into the plant to determine any additional componants needed to increase the integrity of the steel produced.

Responding to a question from Representative Miller regarding waste products from the plant, Mr. Farris notes they have a company that processes slag, impurities that come off the steel during the steel making process, all of which is then sold to be reused in re-covering roadways and driveways. Another hazardous waste, KO61 emissions, are captured coming directly from the arc furnace, which is recycled and sold to people extracting zinc out of the waste. In an additional question from Representative Miller, Mr. Farris acknowledged that Nucor does produce military grade steel, but not specifically at the Gallatin facility.

Senator Kerr queried about how many Kentucky students were using the scholarship money provided from the Nucor Foundation and Mr. Farris confirmed around 60 Kentucky students have utilized the scholarship money since buying the facility in 2014.

Senator Kerr updated the committees on future committee meetings. Both interim committees will next meet on July 19th, 2018 in Frankfort.

There being no further business, the meeting was adjourned at 11:32 a.m.