

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 2nd Meeting of the 2018 Interim

June 21, 2018

Call to Order and Roll Call

The 2nd meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, June 21, 2018, at 10:00 AM, in Ghent, Ky. Senator Alice Forgy Kerr, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Alice Forgy Kerr, Co-Chair; Representative Phillip Pratt, Co-Chair; Senators Perry B. Clark, Jimmy Higdon, Stephen Meredith, Wil Schroder, and Reginald Thomas; Representatives Lynn Bechler, McKenzie Cantrell, Daniel Elliott, Joni L. Jenkins, James Kay, Kim King, Adam Koenig, Jerry T. Miller, Rob Rothenburger, Diane St. Onge, Walker Thomas, Russell Webber, and Addia Wuchner.

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 21, 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 began in 1905 as REO Motor Company under Ransom E. Olds, specializing in Department of Defense contracts. In 1955, Nuclear Consultants, Inc., purchased the company to form the Nuclear Corporation of America. Under Ken Iverson, Nuclear Corporation of America started investing in steel technologies, selling 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, two-thirds of 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 retribution; and "Do Your Job Well and Have it Tomorrow," an assurance to employees that there will not be layoffs during downturns in the market. 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 said 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 percent of the steel produced by Nucor is from scrap steel. The company 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. Nucor falls well below the national industry average of occupational injury and illness rates.

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

Environmentally, Nucor produces approximately half the global average of CO2 emissions. 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 said that steel can be recycled indefinitely, though the residual content of the steel increases. To combat this problem, the company adds more raw iron units to the steel mix to drive residuals back down. Structurally, the steel maintains its integrity through the recycling process. The Nucor Steel Gallatin plant has not experienced shortages of 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. Nucor estimates that it has have 40 or 50 qualified applicants for each open position, although 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 questions by Senator Kerr, 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 percent of the sale output is consumed within a 200 miles radius of the plant. 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 are stronger, but he attributes that more to the recent tax plan passed by Congress more than 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 discussed how the facility evaluates the chemical composition of all of the scrap metal coming into the plant to determine any additional components needed to increase the integrity of the steel produced.

Responding to a question from Representative Miller regarding waste products from the plant, Mr. Farris said that Nucor has 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 recovering roadways and driveways. KO61 emissions, which are a hazardous waste, are captured coming directly from the arc furnace, which is recycled and sold to people

extracting zinc out of the waste. He said that Nucor produces military grade steel, but not specifically at the Gallatin facility.

Senator Kerr queried about the number of Kentucky students who were using the scholarship money provided by the Nucor Foundation. Mr. Farris said that about 60 Kentucky students have utilized the scholarship money since 2014.

Senator Kerr said that the interim committees will next meet on July 19, 2018 in Frankfort.

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