

# **INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT**

## **Minutes of the 3rd Meeting of the 2018 Interim**

**July 19, 2018**

### **Call to Order and Roll Call**

The 3rd meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, July 19, 2018, at 10:00 AM, in Room 154 of the Capitol Annex. 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; Senators Perry B. Clark, Rick Girdler, Denise Harper Angel, Ernie Harris, Jimmy Higdon, Stephen Meredith, Mike Wilson, and Max Wise; Representatives Lynn Bechler, McKenzie Cantrell, Jim DeCesare, Daniel Elliott, Al Gentry, Mark Hart, Joni L. Jenkins, James Kay, Kim King, Adam Koenig, Russ A. Meyer, Jason Petrie, Steve Riley, Rob Rothenburger, Diane St. Onge, Wilson Stone, Walker Thomas, Russell Webber, and Addia Wuchner.

Guests: Stacey Hoskins Beeler, Founder, SnapDolls, and owner, Stitch Kentucky; Frank Marx, Managing Consultant, Stitch Kentucky; Dr. Kate Akers, Executive Director, Kentucky Center Statistics, Kentucky Education and Workforce Development Cabinet; Deputy Secretary Brad Montell, Kentucky Education and Workforce Development Cabinet; Secretary Derrick Ramsey, Kentucky Education and Workforce Development Cabinet; Brian Alvey, Senior Director of Government and External Affairs, Kentucky Distillers' Association; and Eric Gregory, President, Kentucky Distillers' Association.

LRC Staff: Carla Montgomery, Andrew Manno, Chip Smith, and Sasche Allen.

### **Approval of Minutes**

A motion to approve the minutes of the June 21, 2018 meeting was made by Senator Mike Wilson, seconded by Representative Addia Wuchner, and approved by voice vote.

### **SnapDolls**

Stacey Hoskins Beeler, Founder of SnapDolls, and owner of Stitch Kentucky, and Frank Marx, a Managing Consultant for Stitch Kentucky, gave a brief overview of the evolution of the company and possible expansion through future opportunities. When the business initially began in Casey County, Kentucky it produced fabric dolls inspired by paper dolls. It was able to do so after hiring displaced workers with extensive seamstress

skills, some of whom had formerly been employed with the Oshkosh B’Gosh manufacturing plant that had closed in the county. Ms. Beeler said that after some time it was realized that others were in need of having products sewn which led to her starting Stitch Kentucky.

Stitch Kentucky works with entrepreneurs and uses their drawings, sketches, and prototypes to transform them into something that can be reproduced or manufactured. A substantial fee can be charged for the prototyping because of the demand for it. The company also cuts and sews products by using a pattern that either is developed there or by the entrepreneur themselves. Stitch Kentucky offers the production of large quantities as well as small quantities for its clients. For example, one client with the New York City Opera requested the production of 70 ponchos to be sewn, which is a relatively small number of units. Alternatively, the company was able to produce 5,000 draw string shoe bags for a shoe company located in Atlanta, Georgia. It has also sold 15,000 units of its own designed product to Cracker Barrel. The sourcing of materials for clients is also another unique aspect of the company which is uncommon. Moreover, Stitch Kentucky is currently testing housing and fulfillment of products for clients.

In the future, Ms. Beeler expressed that the company has considered a training program that would utilize various equipment that has the ability to cut patterns. By offering training programs, the company could provide employment opportunities to more displaced workers in the area, much like it did with those that worked for the Oshkosh B’Gosh plant. Manufacturers have also reached out to Stitch Kentucky and voiced interest in utilizing the company for their products such as a blue jean company in Louisville, Kentucky and a children’s clothing startup in Lexington, Kentucky. The company is also working with student seamstresses that have reached out with the requests for training. Ultimately, Stitch Kentucky would like to expand to other areas of the Commonwealth that may have an abundance of individuals that have seamstressing skills. Mr. Marx briefly discussed the progression of the company and a recent independent study that was done by the Community Farm Alliance and Fibershed which highlighted the resurgence of the textile industry in the state.

In response to a request from Co-Chair Kerr, Ms. Beeler said that her company quickly grew due to social media and word of mouth. She stated that requests were received from clients that wanted various products made such as car seat covers and bowties and came from individuals from places like New York City and Nantucket.

Senator Jimmy Higdon pointed out the entrepreneurial spirit and large online retail presence of the residents in Casey County. He also commended Ms. Beeler on her leadership and success.

Addressing Senator Max Wise, Ms. Beeler spoke about a new co-op program with Stitch Kentucky and the local high school in Casey County where students will spend part of the school day at the company being trained in seamstressing.

Responding to Representative Wilson Stone, Ms. Beeler stated that there has not been any resistance to the price of her company's services and Mr. Marx has advised her to increase the prices. She said she assumes that people would rather pay more for a better quality of product than to work with a company overseas whose quality may not always be as consistent. In response to a follow up, Ms. Beeler said there have been several times that Stitch Kentucky has had to turn down business due to a lack of equipment. There are currently also several clients that are raising funds in order to obtain their products after contacting the company for pricing.

After an inquiry from Representative Kim King, Ms. Beeler explained that a SnapDoll is a doll that has interchangeable clothing that snaps on and off. She said that Cortex Toys acquired the toy portion of her company.

Replying to Senator Stephen Meredith, Ms. Beeler discussed the sourcing aspect of the company and said that, as opposed to procuring fabric from overseas, she has found more and more companies located in the U.S. that are producing their own fabrics. For example, she utilizes fabrics manufactured by a U.S. based company called Santee Printworks that mills its own cotton. Senator Meredith went on to make comments about making the Commonwealth an age friendly state.

### **Kentucky Center for Statistics**

Dr. Kate Akers, the Executive Director of the Kentucky Center Statistics with the Kentucky Education and Workforce Development Cabinet gave a presentation entitled "Uniting Our Data. Informing Our Commonwealth." Deputy Secretary Brad Montell with the Kentucky Education and Workforce Development Cabinet and Secretary Derrick Ramsey, with the Kentucky Education and Workforce Development Cabinet, answered questions. The Kentucky Center for Statistics, or KY Stats, started as a project known at the P-20 Data Collaborative with one data researcher. There have been several name changes, including most recently the Kentucky Center for Education and Workforce Statistics (KCEWS), and it has 13 full-time researchers. KY Stats is a national model that was made possible through legislation in 2013.

The data collected by KY Stats allows for connections to be made between education, workforce, and economic development. Data is entered into one system from an array of areas such as the public school system, private and public post-secondary education institutions, and unemployment insurance and analyzed. Dr. Akers said that one of the most important aspects of the process is security which is why all information is sent to KY Stats securely and all personal identifiers are removed. She said that the goal is not to create the largest system but to produce meaningful reports and statistics to make real

decisions in the state. For example, in the past statistics were gathered about the number of high school graduates across the state. Then the quality of the graduation rates were analyzed by collecting data on whether students were graduating with post-secondary credits. Dr. Akers explained that now all of that data along with many other statistics can be used to examine the impact on Kentucky's economy.

Several reports were discussed including the Kentucky Workforce Profiles Kentucky Future Skills Report, and the Education Detours to the Workforce Report which are available online at <https://kystats.ky.gov/> . The Kentucky Workforce Profiles are new reports that are done for each one of the state's 10 local workforce areas as well as the state as a whole. The report details various demographics of each area including population, commuting patterns, educational attainment, projected workforce demand, and key industry sectors. KY Stats can perform statistical modeling and offer projections for things such as the number of open jobs in the next five years and what industries those jobs will be in. Dr. Akers also said that after reviewing the reports and other information from the Cabinet for Economic Development moving forward two-thirds of jobs in Kentucky will require some type of training post high school. The next report discussed was the Kentucky Future Skills Report which is a supply and demand planning tool. The supply portion of the report provides statistics on the number of credentialed people in the 10 different local workforce areas as well as the state as a whole. In the last five years Kentucky has had a total of 460,566 people attain some type of credential, which includes education from a high school diploma to a doctoral degree. The demand portion of the report details what occupations will be available in the next five years, what the average wages are for each type of occupation, and what training and education is required. Dr. Akers went over one of the 13 new reports that KY Stats has available called the Education Detours to the Workforce Report, which delves into what happens when Kentuckians detour from the typical education-to-workforce pipeline. Lastly, the Kentucky Work Ready Communities Report was briefly discussed.

Addressing Representative Diane St. Onge, Dr. Akers said that KY Stats has begun to collect data on early childhood education by working with the Early Childhood Advisory Council and starting a head start pilot this year. Collecting this data will allow for a better understanding of the impact of early childhood programs on things like graduation rates, post-secondary enrollment, and the eventual effect on the economy.

Responding to Representative Joni Jenkins, Dr. Akers spoke about a competitive grant that KY Stats received from the Workforce Data Quality Initiative with the Department of Labor. KY Stats is working with high school counselors to develop a user friendly tool that will show what occupations are available and where and how to obtain the necessary training for each occupation.

Replying to an inquiry from Representative Jim DeCesare regarding specific trades in the state, Dr. Akers explained that some occupations within various trades are still

grouped fairly generally but she has requested that KY Stats receive more specificity within such as construction and advanced manufacturing. Representative DeCesare expressed the need for more training programs in the state in plumbing, specific areas of HVAC, and others.

Answering a question from Senator Jimmy Higdon, Dr. Akers said the indicators taken from the free and reduced lunch program in the public school systems are not intended for research purposes. KY Stats is working on a tool that can be used to examine education programs and how well they are serving students from various socioeconomic backgrounds.

Representative Steve Riley commented on reaching out to Dr. Akers and her staff to obtain statistical information regarding his district and how pleased he was with all the work that KY Stats does.

Representative Lynn Bechler inquired about statistics regarding graduation rates and what students are likely to do after high school since legislation was passed that now requires a student to be 18 years old upon graduating from high school, and Dr. Akers said that KY Stats is able to provide that data.

Dr. Akers addressed Representative Addia Wuchner by explaining that KY Stats receives information from private third parties but before analysis takes place all personal indicators are removed, which is a process that only takes a matter of hours depending on the size of the data.

Secretary Derrick Ramsey told Senator Mike Wilson that he would look into whether the age requirements to obtain a CDL is a state or federal issue and that others has expressed the need for CDL drivers.

Secretary Derrick Ramsey replied to concerns voiced by Representative Rob Rothenburger by saying he would look into the transportation issue within the local workforce areas for those located in rural areas that have trouble getting to and from the more urban areas where high demand jobs are located.

### **Kentucky Distillers' Association**

Brian Alvey, the Senior Director of Government and External Affairs with the Kentucky Distillers' Association (KDA) and Eric Gregory, the President of the KDA, gave testimony pertaining to the recent tariffs that the federal government of the United States has put in place and the possible effects it could have on their industry in particular. Mr. Alvey stated that due to the tariffs other countries have begun to put into effect retaliatory tariffs which will have a major impact on the bourbon and distilled spirits industry in the Commonwealth. There have already been measures taken by the European Union (EU), Canada, China, and Mexico as a response to the Administration imposing tariffs on their

goods in those areas. An economic impact study done in 2016 showed that bourbon and distilled spirits is an \$8.5 billion industry in Kentucky that employs over 17,500 people with \$800 million in payroll and \$825 million that is paid in local, state, and federal taxes. Mr. Alvey said that the industry is currently in the middle of a \$1.25 billion building expansion that includes improvements to current locations and business and new visitor centers. The Kentucky bourbon and distilled spirits industry had an estimated \$450 million in exports worldwide in 2017.

With over 50 distilleries across the state, the effects of the new tariffs will effect each business in the industry differently and it is very difficult to make any predictions of potential effects due to the infancy of the new regulations and with circumstances changing daily. For example, Mr. Alvey said that the EU and Japan signed a trade deal in the previous week that decreased the tariffs that the two countries share by 99%, which he believes is a direct response to the United States imposing tariffs on their countries. The KDA has expressed its concerns to the Administration, Congressional leaders, and members of the General Assembly and will keep all of the aforementioned informed when it starts to see the any negative effects on the bourbon and distilled spirits industry in Kentucky.

Mr. Gregory reiterated earlier comments made by Mr. Alvey by thanking the General Assembly for legislation that has been passed in the past 10 years that has tripled the economic output, doubled the workforce, and doubled the payroll of the bourbon and distilled spirits industry in the Commonwealth. He expressed his frustrations about the recent tariffs that could potentially derail the success that the industry has had in recent years. He gave the reminder that the bourbon and distilled spirits industry is currently the highest taxed industry in Kentucky and increasing taxes even more could have detrimental results that could eventually effect other industries such as farming, steel, transportation, or hospitality. Congressman Andy Barr was able to set up a meeting between the KDA and Vice President Pence to discuss the issue. Mr. Gregory closed by announcing a summit with industry counterparts from around the world in Louisville, Kentucky to further deliberate about imposed tariffs.

Addressing Representative James Kay, Mr. Gregory stated that the distilled spirits exports have gone up by over \$1 billion in sales and Kentucky bourbon makes up about half of that amount. The EU is the largest export market and has an average increase of 10 percent yearly. He said adding a 25 percent tariff on the EU has the potential to be extremely harmful to the industry's growth which comes at a time when the international market is just now being tapped into.

Mr. Alvey replied to a question from Senator Mike Wilson saying that, due to 2018 House Bill 400, which allows distillers to ship products directly to consumers, UPS is testing intrastate shipping but will move to interstate shipping in the future. He said because of the recent tariffs the passing of HB 400 may be more advantageous than KDA initially realized. There is not currently any data because the bill is just becoming law. Mr.

Gregory said that KDA has been working with the Uniform Law Commission regarding standardizing the shipping laws of alcohol. In response to a follow up question about if the distillery shipping products to other countries is responsible for collecting the imposed tariffs, Mr. Gregory said that each business will be different and that issue is being considered by all parties.

Representative Wilson Stone said that the tariffs have already taken a toll on farmers who produce soy beans and corn and that the farming community has begun to prepare for further negative results. Mr. Gregory said that the worst case scenario is unknown but if sales overseas plummet the impact could affect the farming community or even the public school systems in different counties because there will not be as many funds in taxes collected. He said some of the smaller distilleries and business could most definitely be impacted if there is a loss in sales or investment.

Replying to Senator Stephen Meredith, Mr. Gregory said members of the industry did not foresee being in the current position of collateral damage due the free trade agreements that have taken place in previous years that opened up the market. Nationally, Kentucky is eleventh in the country for the number of total distilleries with 95 percent of the country's volume. There were not planned contingencies for a situation of this magnitude because of the growth of the Kentucky industry nationally and globally.

Senator Jimmy Higdon commented that his district of Nelson County stores one-third of the world's bourbon and that a negative impact on the bourbon industry could create a ripple effect that could impact a large number of jobs across the spectrum.

Senator Denise Harper Angel stated that she was grateful of the summit being held in her district of Louisville and appreciative for all of the work of the KDA.

There being no further business before the committee, the meeting was adjourned at 12:01 p.m.