

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 1st Meeting of the 2019 Interim

June 6, 2019

Call to Order and Roll Call

The 1st meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, June 6, 2019, at 1:00 PM, in Room 154 of the Capitol Annex. Senator Danny Carroll, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Danny Carroll, Co-Chair; Representative Russell Webber, Co-Chair; Senators Denise Harper Angel, Ernie Harris, Alice Forgy Kerr, Wil Schroder, Reginald Thomas, Mike Wilson, and Max Wise; Representatives Lynn Bechler, John Blanton, Charles Booker, Adam Bowling, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Kathy Hinkle, Thomas Huff, Nima Kulkarni, Savannah Maddox, Jason Petrie, Ashley Tackett Laferty, and Buddy Wheatley.

Guests: Kristi Lowry, Occupational Safety and Health Standards Specialist, Labor Cabinet; Brian Black, Occupational Safety and Health Standards Specialist, Labor Cabinet; Vivek Sarin, Interim Secretary, Cabinet for Economic Development; Erran Persley, Commissioner, Department for Business Development, Cabinet for Economic Development; Brian Mefford, Executive Director, KY Innovation Office, Cabinet for Economic Development; Dr. Jay Box, President, Kentucky Community and Technical College System; and Brian Perry, Governmental Affairs Liaison, Kentucky Community and Technical College System.

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

Consideration of Referred Administrative Regulation

803 KAR 002:180 – Recordkeeping, reporting, and statistics. A motion to accept the referred administrative regulation was made by Senator Ernie Harris and seconded by Senator Max Wise. Kristi Lowry and Brian Black from the Labor Cabinet were present to explain the regulation and answer questions.

In response to Representative McKenzie Cantrell, Ms. Lowry said the regulation eliminates the requirement for an employer with 250 or more employees.

Replying to a question from Representative Buddy Wheatley, Ms. Lowry said the federal regulation went into effect February 25, 2019.

Cabinet for Economic Development Legislative Update

Secretary Sarin gave an overview of the economic successes of the cabinet and the state. Over the last three years, more than 52,000 new jobs have been created in the Commonwealth through more than 1,100 projects that have been announced with planned investments nearing \$20 billion. The cabinet assists in creating and cultivating these economic achievements. The cabinet six different areas which include Business Development, Business Services, KY Innovation, Legal, Financial Services, and Marketing and Public Relations. The Business Development Department has a new commissioner and staff and has recently been focusing on a product development initiative, which is a community marketing partnership with the Kentucky Association for Economic Development. With 40 percent of the growth in new business, coming from foreign direct investment, the department has also been concentrating on international affairs. The Business Services Department also has a new team within the cabinet and focuses on a full portfolio of comprehensive services for existing businesses including workforce needs, permitting needs, and access to new and existing suppliers and customers. The KY Innovation Office has a revamped strategy to assist businesses through the creation of RISE Offices (Regional Innovation for Startups and Entrepreneurs), created a Commonwealth Commercialization Center (C3) to commercialize intellectual property and technology coming from universities, and offered incentives to high-tech startup to locate in Kentucky. The cabinet's Legal Department has worked with members of the General Assembly on numbers pieces of legislation and has notably established the Opportunity Zone initiative. Secretary Sarin said that the Financial Services area has exemplary audit results and has assisted numerous companies with incentives while also cutting red tape. Marketing and Public Relations has promoted Kentucky globally with various forms of media.

Secretary Sarin explained that he and his cabinet team gathered information about each district that each committee member represents, and of those counties there has been 39,437 new jobs announced, \$13 billion of new investments announced, and 767 new or expanded projects announced. Companies that drove these results included the Jif Plant in Fayette County, Tyson-Hillshire Brands in Campbell County, Phoenix Paper Wickliffe in Ballard County, Diageo Americas Supply Inc. in Marion County, and GE Appliance Park in Jefferson County. The secretary closed by describing some of the cabinet's future plans which included working with bordering states to create regional collaboration opportunities and expanding on public private partnerships.

Answering a question from Co-Chair Carroll, Secretary Sarin stated that other states' commerce cabinets are fundamentally different from Kentucky's and are often privately funded or do not have to get incentives and other programs approved by their

legislatures from year to year. Potential clients often question the Commonwealth's financial stability, pension issues, and community readiness.

Senator Mike Wilson commended the cabinet for its work throughout the state, and said the growth in his district of Bowling Green is extraordinary. He said that the Business Services area of the cabinet is impressive because the relationships with existing companies in the state are very important.

Replying to Senator Reginald Thomas, the secretary said that companies within Kentucky that have been impacted by ongoing tariff conflicts have reached out to the cabinet for guidance, but the cabinet's main action has been to use existing relationships with Governor Bevin and the White House to maximize every opportunity to be heard in Washington D.C.. This has caused some companies to delay investment decisions. To ease tensions, the cabinet arranged for a governors summit between the U.S. and China to be hosted in Kentucky with several firms deciding to investment in projects in the Commonwealth.

Responding to a question from Representative Buddy Wheatley, Secretary Sarin said there has been turnover in the cabinet due to talent being lost to the private sector and some past employees using their positions as stepping stones.

Senator Max Wise thanked Secretary Sarin and the cabinet for the quick response to a situation in his district.

Replying to inquiries from Representative Al Gentry, the secretary clarified that the number of jobs that have been created that was listed in his presentation are the number of anticipated jobs. The Kentucky Economic Development Finance Authority (KEDFA) reports the projected number of jobs and actual jobs created for those companies that are awarded financial incentives by the cabinet which is available online, and each company is surveyed to insure there is statutory compliance. Each incentive program and each individual program participant is tracked and monitored by the cabinet.

Addressing concerns expressed by Representative Nima Kulkarni, Commissioner Persley said that immigration restrictions is not something that has been specifically focused on and the cabinet does not have an active immigration strategy but have assisted companies with immigration issues on a case by case basis. Answering a follow up question, Executive Director Mefford stated that the cabinet works closely with the Kentucky Small Business Development Center to aid in matching the needs of employers with the skill sets they require for their employees. Secretary Sarin added that the cabinet recently hosted an event for about 180 Chinese college students to show support of their culture and encourage them to remain in the state after they finish college.

Work Ready Scholarships

Dr. Box stated that the Work Ready Kentucky Scholarship (WRKS) helps individuals in the Commonwealth have not attained an associate's degree afford an industry recognized certification or diploma which must be within a high demand workforce sector. Funding was appropriated for the scholarship in the 2016 HB 303 and Governor Bevin signed an executive order in 2017 to establish the framework. Stakeholders, including KCTCS, the Kentucky Higher Education Assistance Authority (KHEAA), the Kentucky Department of Education, and the Education and Workforce Development Cabinet, came together in fall of 2018 to determine what was else was needed to enhance the WRKS. 2019 SB 98 passed, expanding the scholarship to include awards for the summer term, extending eligibility from secondary to postsecondary to ensure access for up to 60 credit hours of WRKS access if the student used the WRKS for dual credit classes, and removing the requirement for the Dual Credit Scholarship to be used first. The programs of study that have been approved for the program and identified by the Kentucky Workforce Innovation Board and the Education and Workforce Development Cabinet are advanced manufacturing, healthcare, transportation and logistics, business services and information technology, and construction.

For a high school student to be eligible for the WRKS, the individual must be a resident of Kentucky, be enrolled in a Kentucky high school, be enrolled or accepted in an approved dual credit course at an eligible institution, and complete and submit a WRKS dual credit application to the KHEAA. The high school student is limited to two approved dual credit courses per academic year. There are more eligibility guidelines for adults who are participating in the program but Dr. Box stated that one of the more important stipulations is for applicants to complete the Free Application for Federal Student Aid for the academic year in which the scholarship is awarded. The WRKS is intended to be a last dollar scholarship and "the scholarship amount awarded to an eligible workforce student for an academic term shall be the amount remaining after subtracting the student's federal and state grants and scholarship from the maximum scholarship amount." Adult eligibility expires when one of the following is met: recipient receives scholarship for four academic terms, recipient reaches 60 credit hours of enrollment, or the recipient obtains an associate's degree.

For the 2017-2018 academic year there were about 1,350 recipients of the scholarship which totaled about \$2.3 million in funds. For the 2018-2019 academic year there were almost 3,000 recipients which totaled \$4.5 million in awarded funds. Dr. Box said that this program has attracted the male students back into the community college system. According to the spring 2019 demographics, 60.7 percent of the participants are males with the average scholarship award being \$1,570. Dr. Box displayed a map of the state that showed the WRKS recipients by industry sector and was categorized by the 16 colleges within KCTCS. The Jefferson Community and Technical College and the Big Sandy Technical and Community College were the only two that saw growth evenly over the five approved sectors of study, although healthcare was the top sector in the state as a whole. Dr. Box told the stories of two WRKS recipients and how it changed their lives.

Responding to Co-Chair Carroll, Dr. Box explained that it would be possible to have regional sectors included in the program but it would have to be a collaboration with the Cabinet for Economic Development as well as the Education and Workforce Cabinet and would require a statutory change.

Senator Denise Harper Angel expressed how proud she was to vote for SB 98 and requested for more information to distribute to her constituents.

Representative Adam Bowling commended the program and said he had seen its success first hand in his district. He mentioned the creation of the GED Plus program.

Co-Chair Carroll announced that the next meeting will be July 11, 2019 in the Capitol Annex.

There being no further business, the meeting was adjourned at 2:42 p.m.