

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

## **Minutes of the 6th Meeting of the 2020 Interim**

**November 20, 2020**

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

The 6th meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Friday, November 20, 2020, at 8:30 AM, in Room 171 of the Capitol Annex. Representative Russell Webber, 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 Karen Berg, Rick Girdler, Denise Harper Angel, Jimmy Higdon, Wil Schroder, Reginald Thomas, and Max Wise; Representatives Kim Banta, Lynn Bechler, John Blanton, Kevin D. Bratcher, R. Travis Brenda, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Kathy Hinkle, Thomas Huff, Nima Kulkarni, Savannah Maddox, Jason Petrie, Bart Rowland, Ashley Tackett Laferty, and Buddy Wheatley.

Guests: Lee Lingo, President, Kentucky Association of Manufacturers; Jena Scott, Communications Manager, Kentucky Association of Manufacturers; Larry Hayes, Interim Secretary, Cabinet for Economic Development; Jeff Taylor, Commissioner, Department for Business Development; Kristina Slattery, Executive Director, Office of Business and Community Services; Larry Roberts, Secretary, Labor Cabinet; Buddy Hoskinson, Interim Executive Director, Office of Unemployment Insurance.

LRC Staff: Andrew Manno, Audrey Ernstberger, Drew Baldwin, and Sasche Allen.

### **Approval of Minutes**

A motion to approve the minutes of the October 29, 2020, meeting was made by Representative Chris Freeland, seconded by Co-Chair Danny Carroll, and approved by voice vote.

### **Update on Manufacturing in Kentucky**

The Kentucky Association of Manufacturers (KAM) has served as the leading advocate for manufacturing interests in the Commonwealth since 1911, and its mission is to create, support, and protect a manufacturing friendly environment through advocacy; workforce development; education and training; and cost saving benefits for its members. KAM represents over 400 Kentucky businesses that are vital to the state's economic

success. Manufacturing represents over \$38 billion in annual gross domestic product and more than 250,000 employees in the Commonwealth as of February 2020. The weighted average wage in the manufacturing sector is \$23.52 an hour or \$48,922 annually. KAM has created several initiatives to promote the future of manufacturing including *Be Pro Be Proud*, which helps to combat today's growing skills gap by providing hands-on experience through a live and interactive program; *Kentucky Manufacturing Going Pro Signing Day*, which is a partnership with the Kentucky Community and Technical College System (KCTCS) designed to highlight KCTCS college graduates in advanced manufacturing programs; and a partnership with the Work Ready Scholarship Program.

Though many manufacturers remained open through COVID-19 business closures, the industry has been heavily impacted. In April 2020, manufacturing employment plummeted to 197,000 statewide, down from March 2020's near all-time high of 251,000. However, by June 2020, the manufacturing sector had increased to 233,000 employees. The quick rebound can likely be attributed to increased demand for products needed for do-it-yourself and stay-at-home work; the Paycheck Protection Program loans keeping businesses open; an increased demand for local supply chains; and the retooling and refocusing of manufacturers to meet the nation's demand for personal protective equipment. KAM advocated for state manufacturers to be considered essential businesses and worked with the Governor's administration to maintain the largest economic driver in Kentucky's economy as a fully functioning and safe sector while adapting to stringent guidelines.

Answering a question from Co-Chair Danny Carroll, Lee Lingo, the President of the Kentucky Association of Manufacturers, explained that automated machines are now performing jobs that the industry could not find people to do. Several high level employers across the state are utilizing automated machines and new technology to solve problems that are related to the lack of people in the workforce.

Replying to Co-Chair Russell Webber, Mr. Lingo stated that the KAM is supportive of employment of those who are re-entering the workforce.

Addressing Representative Kim Banta, Mr. Lingo indicated there is a marketing challenge in the manufacturing industry. Some people are not aware of the opportunities in the industry, and smaller companies do not have the resources or funding to market themselves.

Responding to a question from Senator Jimmy Higdon, Mr. Lingo said that many manufacturing companies have a beneficial working relationship with the Kentucky Workforce Innovation Board.

Answering a question from Representative Lynn Bechler, Mr. Lingo stated that KAM has about 400 companies that are members of its association with most having 25 employees or less.

Replying to Co-Chair Danny Carroll, Mr. Lingo explained that the challenge of daycare has been a topic of discussion for a long time but was pushed to the forefront during the COVID-19 pandemic.

### **Cabinet for Economic Development Update**

The Cabinet for Economic Development (CED) has a marketing mission to attract corporate investment and create well-paying jobs across the Commonwealth. The CED markets to both, generates leads directly, and creates brand awareness which helps land projects over time. Marketing strategies include target market webinars, recruitment campaigns, lead-gen campaigns, consultant outreach, and international marketing. Digital, print, and sponsored article advertising in strategic publications are utilized. There is also continuous improvement in websites and social media such as LinkedIn and the CED's homepage. Office research is also performed by staff to identify target companies, analyze economic trends, manage statewide available sites, and survey target industry businesses.

Answering a question from Representative Kevin Bratcher, Jeff Taylor, Commissioner of the Department for Business Development, stated minimum wage is not a topic of discussion with prospective businesses because most of those companies have high paying jobs.

Replying to Representative John Blanton, Commissioner Taylor confirmed that the list of available building-ready sites on the CED's website are rotated regularly. The CED has an online searching tool that allows a person to search for a building, site, or more detailed information about potential locations. In response to a follow up, the Commissioner said that even when companies want to establish themselves in a specific location, the CED does promote locating in other areas of the state as options.

Addressing comments made by Senator Jimmy Higdon, Commissioner Taylor pointed out that soldiers leaving the military have very transferable skills and that the CED would try to do a better job of marketing the locations around state military bases.

Senator Reginald Thomas made remarks regarding being a proponent of increasing the minimum wage.

### **Unemployment Insurance Update**

The Secretary of the Labor Cabinet, Larry Roberts, gave an overview of unresolved unemployment insurance claims as of November 18, 2020. These claims are either still in the process of being investigated or require action from the claimant. There are 654 unresolved initial March unemployment insurance claims which includes 323 that are

awaiting claimant action. For the month of March, over 146,000 claims have been approved and paid. There are 10,879 unresolved initial April unemployment insurance claims which includes 3,470 that are awaiting claimant action. For the month of April, over 247,000 claims have been approved and paid. There are 13,265 unresolved May claims which includes 5,446 that are awaiting claimant action. For the month of May, over 45,000 claims have been approved and paid. There are 13,431 unresolved June claims which includes 5,446 that are awaiting claimant action. For the month of June, over 18,000 claims have been approved and paid. For the month of July, there are 13,936 unresolved claims with 6,352 awaiting claimant action. For the month of August, there are 13,265 unresolved claims with 2,157 awaiting claimant action. For the month of September, there are 12,153 unresolved claims with 964 requiring action. For the month of October, there are 14,443 unresolved claims with 1,398 requiring action.

The Interim Executive Director of the Office of Unemployment Insurance, Buddy Hoskinson, gave an update on the Lost Wages Act (LWA) and explained the common reasons for an unemployment insurance claim to be under investigation. The Labor Cabinet has submitted an application to the Federal Emergency Management Agency (FEMA) in order to obtain grant funds to pay claimants who are found eligible for the LWA upon “forced” self-certification and upon appeal. These distributions have begun and will continue until November 24, 2020. Appeal payments will start November 23, 2020 and will run until the end of 2020. Director Hoskinson stated that common reasons for unemployment insurance claims being under investigation include employer protest, identification verification issues, missing information, failure of the claimant to timely claim benefits, past unemployment issues, and filing of multi-state claims.

The deficit of the Unemployment Insurance Trust Fund is \$486,853,492.69 and interest will begin accruing January 1, 2021. The U.S. Treasury will not take action to collect the loan until January 1, 2023. When a state has an outstanding loan balance on January 1 for two consecutive years and does not repay the full amount of its loan by November 10<sup>th</sup> of the second year, the Federal Unemployment Tax Act (FUTA) credit rate will be reduced each year until the loan is repaid. The Governor has committed to putting at least \$200 million of remaining funds from the CARES Act into the UI Trust Fund at the end of 2020.

Answering a question from Co-Chair Russell Webber, Executive Director Buddy Hoskinson explained that the FEMA LWA was a first come first serve allotment that required an application. Kentucky has applied and been approved for the funding twice. The LWA funding has been applied for through FEMA for the third time and is awaiting approval. In response to a follow up, Secretary Larry Roberts indicated that the Labor Cabinet has been in communication with vendors through an RFP that will assist with upgrades to the UI system.

Replying to Senator Reginald Thomas, Director Hoskinson stated the Labor Cabinet is preparing staff and working with the Governor's Office to handle a possible influx of unemployment claims in the coming months. Secretary Roberts added that \$4.8 million of CARES Act funding was allotted for system upgrades that will be completed by the end of the year.

Addressing Co-Chair Danny Carroll, Secretary Roberts said the oldest claims have been given priority, and there are times that a claim is not being fully processed due to missing information or action needing to be taken by the claimant.

There being no further business, the meeting adjourned at 10:25 a.m.