

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

## **Minutes of the 1st Meeting of the 2021 Interim**

**June 17, 2021**

### **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 17, 2021, at 9:00 AM, in Room 154 of the Capitol Annex. Senator Wil Schroder, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representative Russell Webber, Co-Chair; Senators Alice Forgy Kerr, Christian McDaniel, Robby Mills, Adrienne Southworth, Brandon J. Storm, Phillip Wheeler, Mike Wilson, and David Yates; Representatives Shane Baker, Kim Banta, Lynn Bechler, Tina Bojanowski, Josh Bray, George Brown Jr., Josh Calloway, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Mark Hart, Thomas Huff, DJ Johnson, Kim King, Nima Kulkarni, William Lawrence, Matt Lockett, Bart Rowland, Scott Sharp, Steve Sheldon, and Ashley Tackett Laferty.

Guests: Larry Hayes, Interim Secretary, Cabinet for Economic Development; Anthony Ellis, General Counsel, Cabinet for Economic Development; Jeff Taylor, Commissioner, Department for Business Development, Cabinet for Economic Development; Kristina Slattery, Deputy Commissioner, Department for Business Development, Cabinet for Economic Development; Katie Smith, Commissioner, Department for Financial Services, Cabinet for Economic Development; and Andrew McNeill, Visiting Policy Fellow, Bluegrass Institute for Public Policy Solutions.

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

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

Larry Hayes, Interim Secretary of the Cabinet for Economic Development; Anthony Ellis, General Counsel; Jeff Taylor, Commissioner of the Department for Business Development; Kristina Slattery, Deputy Commissioner of the Department for Business Development; and Katie Smith, Commissioner of the Department for Financial Services, gave a presentation on the state's economic recovery and future opportunities in unprecedented times due to the COVID-19 pandemic. Current challenges and trends

throughout the state include workforce shortages, a lack of industrial build-ready sites and mega sites, and struggles with marketing Kentucky. However, over 4,000 new full time jobs and 50 private sector expansions or new facility location projects have been announced with over \$2 billion in investments. Additionally, the average hourly wage across incentivized jobs is trending the second highest in seven years at \$23.15. Out of the recent jobs and investments announced, the top industries include metals; automotive; food, beverage, and agritech; distribution and logistics; and plastics and rubber. Cabinet leadership also discussed the Kentucky Enterprise Fund, Commonwealth Seed Capital, and the return of the Angel Tax Credit/Fund Tax Credit. Looking forward, the Federal State Small Business Credit Initiative, which could produce over \$80 million, is a possible tool that could help rebuild the economy. The initiative would provide access to credit and investments for startups and small businesses with a focus on developing programs to benefit socially and economically underserved individuals. The Cabinet is currently awaiting federal guidelines for the program.

Answering a question from Senator Schroder, Secretary Hayes explained that it can be difficult to fully measure the successes of the state at the end of a calendar year with metrics such as total number of investments because projects are better assessed over a longer span of time. However, at the end of 2021, the Cabinet should have more clarity regarding the status of various sectors across the Commonwealth. Addressing another question, the secretary stated that providing companies with a well-rounded workforce would make the state more attractive for potential site selection. The Governor has been in discussions with state universities, community colleges, and the Education and Workforce Development Cabinet about ways to better equip the state's workforce with more diverse skill sets that will accommodate companies' evolving needs.

Responding to Representative Webber, Secretary Hayes stated that the Cabinet did support HB 382, which was vetoed by the Governor during the 2021 Regular Session, and the Cabinet did not have any interactions with the Governor prior to the bill being vetoed.

Addressing Representative Bojanowski, Mr. Ellis gave examples of other states such as Indiana and Ohio that have created funds to support small business startups. A state's ability to provide early stage venture capital is one of the criterion for companies when searching for potential site locations. Answering a follow up, Mr. Ellis said that the Cabinet has initiated communication with the Kentucky State Data Center to compile statistics about private venture capital.

Replying to Representative Kulkarni, Mr. Ellis stated he would follow up with her regarding the number of foreign owned companies and subsidiaries located in the state. Responding to a follow up, Commissioner Taylor said the Cabinet has several marketing campaigns that target potential foreign direct investments.

Senator Wilson commended the Cabinet for their progress and success and pointed out that some funds should be allocated to attract skilled individuals and their families to the state.

Answering a question from Senator McDaniel, Secretary Hayes said he could not comment on the specific details regarding the Governor's plan for offering an incentive to unemployed individuals returning to the workforce.

### **Kentucky's Economic Performance**

Bluegrass Institute for Public Policy Solutions is a 501(c)(3) nonpartisan organization dedicated to policy research, education, and engagement. Andrew McNeill, a Visiting Policy Fellow with the Bluegrass Institute, compared Kentucky's tax burden to other comparable states with benchmarks such as quality of life and standards of living with per capita income and per capita disposable personal income. Comparable states included Alabama, Indiana, North Carolina, and Tennessee. Mr. McNeill highlighted that although Kentucky has traditionally been considered a "red state" because of how the state has voted in presidential elections, in actuality the size and scope of Kentucky's state government is more like New York and California than the comparable states of Alabama or North Carolina. Additionally, some of Kentucky's spending trends that may categorize the state as a "blue state" in comparison to comparable states include an increased rate of government spending as a percentage of state personal income, higher per capita spending, increased debt levels over time, and a higher tax burden. Mr. McNeill stated that although he could not provide direct correlations between the size and scope of state government with the growth and climate in the state within the business and entrepreneurial communities, there may be some connections after considering the economic growth of other states compared to Kentucky. He explained that achieving economic freedom for the state should include limiting government relying on markets, lowering government spending, lowering tax burdens, and having more responsible debt levels. Recommendations for 2022, include strengthening the rainy day fund, beginning the process of reining in the state's debt, continuing responsible budgets, and principled tax policy.

Answering a question from Senator Wheeler, Mr. McNeill explained that tax reform, that would involve eliminating the state income tax, would include examining the taxation of groceries and utilities. He would suggest looking to Indiana as a model for tax reform but does not believe that Indiana taxes groceries or utilities.

Responding to Representative King, Mr. McNeill said that he did follow HB 156 during the 2021 Regular Session that pertained to taxing on historical horse racing but was not informed enough to give an opinion; however, the positive net revenue could be used to eliminate another type of tax.

Addressing Senator Mills, Mr. McNeill stated that shifting to a tax model like Indiana would make Kentucky more competitive. Conversely, although tax reform is significant, paying down the state's debt is of equal or greater importance.

There being no further business before the committee, the meeting adjourned at 10:51 a.m.