

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 5th Meeting of the 2021 Interim

October 21, 2021

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, October 21, 2021, at 9:00 AM, in Room 154 of the Capitol Annex. Senator Phillip Wheeler, 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, 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: Mary Pat Regan, Deputy Secretary, Education and Workforce Development Cabinet; Marty Hammons, Commissioner, Department of Workforce Investment, Education and Workforce Development Cabinet; Heather Dearing, Deputy Chief of Staff, Office of Kentucky Lieutenant Governor; Charles Aull, Senior Policy Analyst, Kentucky Chamber of Commerce; LaKisha Miller, Executive Director, Kentucky Chamber Workforce Center; Bruce Wilcox, President and CEO, Greater Paducah Economic Development; Michael Stoltzner, President and CEO, Blockware Mining; and Jeremy Witten, Executive Vice President of Engineering, Blockware Mining.

LRC Staff: Andrew Manno, Audrey Ernstberger, Kirk Smith, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the September 23, 2021, meeting was made by Senator Mills, seconded by Representative Johnson, and approved by voice vote.

Education and Workforce Development Cabinet

The Education and Workforce Development Cabinet's goals include expanding opportunities for early childhood education, providing exposure to career opportunities to middle school students, helping high school students gain experience in real world

workforce training opportunities, and assisting Kentuckians to gain experience in their chosen career fields following postsecondary education or trainings. To assist in achieving these goals, the Cabinet utilizes offices such as the Kentucky Commission on Proprietary Education, the Kentucky Department of Education, the Kentucky Department of Workforce Investment, and the Kentucky Workforce Innovation Board. The Cabinet and the Governor's Office has focused on diversifying the workforce landscape and fostering economic growth throughout the Commonwealth. The Governor, Ford Motor Company, and SK Innovation have announced a \$5.8 billion investment that will create 5,000 jobs and is the single largest economic development project in the state's history.

Despite recent growth in the state's economy, there are still many employment challenges throughout the state. A lack of broadband access is one workforce challenge that was heavily highlighted during the COVID-19 pandemic and has become a critical priority for the Cabinet and the Governor's Office. American Rescue Plan Act funds of \$300 million, have been invested to expand broadband to unserved and underserved communities. In an effort to combat other employment challenges, the Cabinet has created several programs including the Work Opportunity Tax Credit Certifications and KY Transformational Employment Program. In addition, the Cabinet has identified sectors such as aviation, information technology, and early childhood education that need skilled workers and created new initiatives, training opportunities, and partnerships that will funnel workers into these areas. Other Cabinet initiatives and programs include Commercial Drivers Licenses Training, Fair Chance Hiring, the Free GED Campaign, the Governor's School for Entrepreneurs, and the Summer Enrichment Program.

Answering a question from Representative Johnson, Marty Hammons, Commissioner of the Department of Workforce Investment, said he would follow up with further information regarding the statewide aviation industry discussion. In response to a follow up question, Commissioner Hammons explained that the Work Opportunity Tax Credit provides employers financial incentives when hiring workers from certain targets groups including qualifying veterans. The tax credit for hiring a veteran that has been unemployed for four weeks is \$2,400, and the tax credit for hiring a disabled veteran that has been unemployed for six months is \$9,600. There is also a program within the Labor Cabinet that is specific to veterans. Answering another follow up question, Deputy Secretary of the Education and Workforce Development Cabinet, Mary Pat Regan, stated that the Excel Center is a new partnership with Goodwill that provides Kentuckians over the age of 18 pathways to obtain high school diplomas and other industry recognized certifications. The Excel Center will open in Louisville but the Cabinet hopes to expand the program to other parts of the state in the future.

Replying to a question from Representative Banta, Deputy Secretary Regan said she would follow up with college completion and job procurement statistics for the Governor's Scholars Program and the Governor's School for Entrepreneurs. Answering a follow up question, the Deputy Secretary stated the Cabinet's intention with the Early Childhood

Registered Apprenticeship Program for high school students is to continue providing early childhood education with an employment pipeline. Deputy Chief of Staff to the Lieutenant Governor, Heather Dearing, added that the early childhood apprenticeship programs allows the Cabinet to tap into a different market of potential apprentices due to a majority of apprenticeship programs being in the advanced manufacturing and construction sectors. Replying to another follow up question, Deputy Secretary Regan explained that the Summer Enrichment Program partnership with the Lieutenant Governor's Office, the Kentucky Department of Education, and the Kentucky Environmental Education Council was a pilot program for 3,000 students.

Representative Lawrence commended the Cabinet for providing opportunities to expand the state's workforce through partnerships with proprietary schools and the Kentucky Community and Technical College System.

Addressing a question from Senator Mills, Ms. Dearing stated Cabinet officials did not testify in person due to safety concerns related to COVID-19 and would follow up with more information regarding appearances at committee meetings.

Kentucky Chamber of Commerce Workforce Report

The Kentucky Chamber of Commerce's workforce report, *20 Years in the Making: Kentucky's Workforce Crisis*, addresses the need to reframe the conversation surrounding the Commonwealth's workforce. The report is a data driven analysis of the state's workforce challenges and includes an overview of root causes and possible state policy solutions. Although workforce participation rates across the country decreased after the COVID-19 pandemic began, Kentucky has not recovered as quickly as other states. The state has about 90,000 less individuals in the workforce compared to the number of workers, in the workforce, prior to the start of the pandemic. Moreover, the Commonwealth has fallen well below the national average of workforce participation for over 20 years and ranks 48th in the nation in workforce participation. Root causes of the declining workforce participation include retirement rates of the baby boomer generation; skills gaps; lack of access to childcare; health and substance use disorders; infrastructure, transportation, and broadband; incarceration, re-entry, and criminal records; benefit cliffs and social safety net programs; and slow population growth.

Recommended solutions for the workforce crisis include analyzing workforce programming and spending, making the Free Application for Federal Student Aid (FAFSA) a high school graduation requirement, removing barriers to education and employment for individuals with criminal records, improving the competitiveness of the tax code, optimizing the unemployment insurance system for rapid reemployment, expanding the Child Care Assistance Program, and reducing smoking rates. Some private sector actions and public-private partnerships include the Kentucky Chamber Foundation's Workforce Center, the Kentucky Transformational Employment Program, and Talent Pipeline Management.

Responding to comments made by Senator Wheeler, Charles Aull, Senior Policy Analyst for the Kentucky Chamber of Commerce, explained that after studying macroeconomic data, the concept of outsourcing has been widely overstated and has been offset by insourcing. The country's economy has changed tremendously over the last three decades partially due to free trade agreements, but industrialization would have occurred through advancements in automation and technology. There has been a shift to a more service sector economy which is why the Chamber is strongly advocating for postsecondary attainment.

Answering questions from Representative Bojanowski regarding the increasing number of children with disabilities in districts with the lowest property values, Mr. Aull said he would prefer to read the Office of Education Accountability's report, *Funding Kentucky Education: An Analysis of Education Funding Through the SEEK Formula*, which was presented to the School Funding Task Force, before commenting. Responding to a follow up question, Mr. Aull stated the Chamber encourages the General Assembly to closely monitor proposed legislation that would be a deterrent to individuals considering relocating to the Commonwealth. He discussed tax reform being a possible solution to make the state more attractive and competitive.

Replying to Representative King, Mr. Aull stated more time is needed to assess the effects of the extended federal unemployment insurance benefits on employment.

Addressing Representative Baker, Mr. Aull said that the state ranks amongst the highest in the country for government transfer payments, and there is a clear connection between low workforce participation and the structure of social welfare programs.

Responding to Representative Hart, Mr. Aull stated survey data shows that unvaccinated employees expressed they would consider leaving their place of employment if mandated by the employer to receive the COVID-19 vaccine but estimates potential vaccine mandates would not have a large scale impact on workforce participation.

Answering a question from Senator Southworth, Mr. Aull said he would predict that people leaving their place of employment due to a vaccine mandate would not exit the workforce but would find a new place of employment therefore making vaccine mandates an insignificant factor when considering overall workforce participation. In response to a follow up question, Mr. Aull explained that Pell Grants are federal funds that do not increase student loan debt.

Cryptocurrency Mining

Affordable power rates and recent legislation that abated the sales and utility gross receipt tax on electric bills created new opportunities for data centers and data mining in the western part of the state. Western Kentucky is located in the center of the MISO Grid

and intersecting transmission lines which makes the area particularly attractive to cryptocurrency mining companies and large consumers of electricity.

Greater Paducah Economic Development secured two cryptocurrency projects, both will have a major impact on the area's economy and create jobs. The first project is a secured partnership with Blockware involving a 30 megawatt \$50 million project that will require 20 full-time employees. The second is an unofficial \$15 million multi-location project and includes a 15 megawatt facility that will require five employees. Companies in the cryptocurrency industry continue to express interest in the Paducah area for future projects. Expansion of the industry in the area can lead to new opportunities for both consumers and power companies and generate funds for future improvements to utility infrastructure. The estimated economic impact with these partnerships is \$3 million a year.

Responding to Senator Schroder, Bruce Wilcox, President and CEO of Greater Paducah Economic Development, explained that the risks to investors and utility companies are fairly low because the partnerships are cash collateralized. The partnership agreements can vary in a way that is beneficial and simple for both the investors and utility companies. Michael Stoltzner, President and CEO of Blockware Mining, added that cryptocurrency mining utilizes one tenth of one percent of national disposable energy.

Answering a question from Senator Mills, Mr. Stoltzner said that each company recognizes profits differently, but Blockware's profits shifted to USD in 2019. The purpose for this is so the company can use the generated income for reinvestment. Responding to a follow up question, Mr. Wilcox stated the recently passed legislation that abated the sales and utility gross receipt tax on electric bills makes the Paducah area more attractive to investors worldwide and is helpful for large and small scale cryptocurrency companies. Answering a follow up question, Mr. Stoltzner explained that in response to the ban on cryptocurrency mining in China, Chinese cryptocurrency companies predominately moved equipment to other parts of Asia and parts of Eastern Europe. Those that relocated to the U.S. purchased new equipment.

Replying to Representative Banta, Mr. Stoltzner stated laundering money or conducting other illegal activities through cryptocurrency mining would be difficult to accomplish because the transactions are recorded in a log that is publicly accessible and permanent.

Addressing Representative Lockett, Mr. Stoltzner said in the last 30 to 60 days large corporations have begun offering Bitcoin to their clients. Bitcoin and other forms of cryptocurrency will continue to evolve and progress, and future regulation will strengthen the industry.

Responding to Senator Schroder, Mr. Stoltzner explained that Blockware experienced obstacles during the Public Services Commission's approval process and said the state may be more attractive to other industry investors if the process was amended.

There being no further business before the committee, the meeting adjourned at 11:02 a.m.