



Lana Gordon, Secretary

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**Testimony before House  
Committee on Commerce, Labor and Economic Development**

Mr. Chairman and Members of the Committee:

The 2016 Kansas Government Efficiencies Review Report (“Efficiency Report”) makes a recommendation to adjust the Kansas Department of Labor’s (KDOL) administrative fund assessment rate to a 1% written premium basis. Specifically, the recommendation seeks to:

“Increase revenue by adjusting the KDOL Administrative Fund assessment levied to state Workers’ Compensation (WC) carriers to a 1.00% rate using carriers’ written premium as the rating base, from the current 2.79% rate that uses prior year losses as the rating base.”

For support, the Efficiency Report notes, “Kansas’ most recent written premium per National Council on Compensation Insurance (NCCI) statistics was \$4,841,778,073.” KDOL notes the significant discrepancy set forth in NCCI’s March 4, 2016 letter addressed to yourself and Secretary Lana Gordon regarding the dollar amount of written workers compensation premiums. As set forth in that letter, the written premium for workers compensation insurance in the State of Kansas was less than \$500 million – ***significantly less than the \$4.8 billion proclaimed in the Efficiency Report.*** Consequently, the revenue projections are significantly flawed and, if adopted, would underfund the administration of the workers compensation system in the State of Kansas.

This discrepancy causes KDOL to question the prudence of changing the assessment methodology as recommended by the Efficiency Report. While KDOL is not opposed to further concentrated study of the various assessment methodologies, the proposal as set forth in the Efficiency Report is untenable and unsupportable at this time.

Respectfully,

/s/ Justin McFarland