

**House Committee on Commerce, Labor and Economic Development
Testimony in Opposition to the Alvarez and Marsal Efficiency Study Recommendations:
KDOL Assessment Rate Change
Presented by Reynaldo Mesa, Senior Director of Government Affairs**

Monday, March 7, 2016

Mister Chairman and Members of the Committee:

On behalf of the Kansas Chamber, I thank you for the opportunity to appear before you today in opposition to the Alvarez and Marsal (A&M) Efficiency Study Recommendations, regarding the Kansas Department of Labor Assessment Rate Change.

Currently, there is a 2.79% charge on prior year losses for each individual work comp carrier. The proposed change is a 1% rate charge on all work comp premiums, instead of the losses. According to the A&M report, the data showed the 2.79% rate generated \$11,900,930.00 in revenue, while the proposed 1% rate on all premiums, would generate \$42,801.318.00, an increase of \$30 million. The increase in revenue would then be used to create the Office of Risk Management which would “centralize the state’s insurance and risk management functions.”

The Kansas Chamber is not necessarily opposed to this policy change as long as the revenue is neutral and not tied to funding a new Office of Risk Management. However, it has come to our attention that the statistical information gathered to make the policy change is flawed. According to National Council on Compensation Insurance (NCCI), there is a misrepresentation with the work comp premium base that the A&M report cites compared to the information published in NCCI’s Tax and Assessment Directory. The work comp premium base cited is significantly overstated and in fact a 1% assessment rate on work comp premiums would actually generate less revenue for the Kansas Department of Labor. It was also reported that during the development of this recommendation, NCCI was never contacted.

It is for this reason, why the Kansas Chamber opposes any policy change until the information can be appropriately verified in order to reconsider a future recommendation. I thank you for your time and for allowing me to speak on behalf of the Kansas Chamber.



“...to continually strive to improve the economic climate for the benefit of every business and citizen and to safeguard our system of free, competitive enterprise”.