

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Julia Lynn at 8:30 a.m. on Wednesday, January 14, 2015, 548-S of the Capitol.

All members were present except:

Senator Susan Wagle – Excused

Senator Tom Holland – Excused

Committee staff present:

Reed Holwegner, Legislative Research Department

Debbie Bartuccio, Kansas Legislative Committee Assistant

Norm Furse, Office of Revisor of Statutes

Edward Penner, Legislative Research Department

Conferees appearing before the Committee:

Secretary Lana Gordon, Kansas Department of Labor

Brett Flachsbarth, Director, Unemployment Insurance, Kansas Department of Labor

Justin McFarland, Deputy General Counsel, Kansas Department of Labor

Brad Burke, Deputy Secretary and Chief Attorney, Kansas Department of Labor

Others in attendance:

[See Attached List](#)

Bill introductions

There were no bill introductions.

Annual Report, Review of Performance and Fraud Collections

Chairperson Lynn recognized Secretary Lana Gordon, Kansas Department of Labor, who presented testimony concerning the 2014 Annual Report for the Kansas Department of Labor. ([Attachment 1](#)) Secretary Gordon stated 2014 saw continued improvement in many areas for the Kansas Department of Labor (KDOL), especially as positive changes have occurred in the Kansas economy, including job growth and unemployment reaching pre-recession levels. She said the Department of Labor was one of the state agencies which joined with the Attorney General in drawing attention to the disturbing problem of human trafficking. She referred to the four divisions of the Department of Labor: Workers Compensation, Unemployment Insurance, Industrial Safety and Health, and Labor Market Information Services.

Secretary Gordon shared the following highlights which were covered in greater detail in the testimony document.

- The seasonally adjusted unemployment rate was under 5 percent all of 2014.
- The number of individuals claiming unemployment benefits also has dropped, from 20,342 at the first of the year to 14,992 at the end of 2014.

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- Our Safety and Health consultants conducted more than 390 safety and health visits at Kansas businesses during the year. These visits identified 1,637 serious hazards in a variety of industries.
- The Workers Compensation Division assisted more than 19,000 injured workers, insurance agents, attorneys, employers and health care providers with questions about the workers compensation law.
- Fraud prevention is a top priority. In the past two years, more than \$28 million has been recovered in overpayments of unemployment benefits that were returned to the UI Trust Fund.
- The emphasis placed on preventing unemployment fraud yielded significant results in 2014, highlighted by an ongoing investigation by KDOL staff that culminated in 24 workers of a Kansas employer being indicted for a contagious fund.

The testimony included detailed information on the following topics:

- The Roles of the Kansas Department of Labor
- Unemployment Insurance Activities
- Kansas UI Trust Fund
- Kansas Unemployment Contact Center
- Unemployment Tax Administration
- Unemployment Appeals
- Labor Market Information Services (LMIS)
- Workers Compensation
- Workplace Safety
- Legal Services
- UI Fraud/Special Investigations
- Fiscal Year 2014 Actual Expenditures

In addition, a packet of career posters were shared with the Committee which are available on the Department website. ([Attachment 2](#))

Secretary Gordon was assisted in reviewing information in the report by Brett Flachsbarth, Director, Unemployment Insurance; Justin McFarland, Deputy General Counsel; and Brad Burke, Deputy Secretary and Chief Attorney. She commended her staff for the achievements attained by the Department in 2014.

Chairperson Lynn reflected on the results achieved based upon legislative changes which have occurred the past few years and commended the Department for diligently administering the programs.

Senator Melcher questioned how the time allowed for unemployment benefits is affected when the federal government offers an extension of benefits. Secretary Gordon stated the federal benefit level is

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a separate program and is fully funded by the federal government. The federal benefits take affect after the state benefits expire. Senator Melcher next inquired as to when an applicant files for unemployment benefits what is being done to assure the person is actively searching for employment. Director Flaschbarth responded monitoring has traditionally been based upon number of job searches per week, however, the Department is now in the process of formulating a new work search policy that holds clients accountable but also assists them with getting back to work.

Senator Faust-Goudeau asked Secretary Gordon to what she attributed the drop in unemployment benefit claims. Secretary Gordon responded she believed it was due to the improvements in the availability of jobs and the number of people who have been able to find work.

Senator Denning commented it would appear, from information provided on unemployment benefits, that the legislation which Senator Melcher championed in 2013 has been very effective in providing motivation for clients to get back to work. However, he said, from a true policy perspective, the economy would need to go through another recession for the state to see the true results of the legislation. Senator Denning next referred to the growth in the Employment Security Trust Fund balance, and expressed his interest for consideration being given for additional relief to employer contributions to this fund. Referring to page 7 of the report, Senator Denning inquired as to whether there has been any positive trend in the \$19.83 average hourly wage in Kansas. Justin McFarland confirmed the Department has started to see an upward trend over the past few months in the average hourly wage. Senator Denning then questioned whether the Department tracks personal income growth. Justin McFarland responded personal income is not tracked, but the information could be acquired. Senator Denning stated the federal government has calculated that Kansas personal income has been growing faster than the national average, which then affects the payment made by the state for Medicaid. He also reflected that employers desire to provide salary increases to their employees, however, the increased cost of health care results in stagnant overall wage growth.

Senator Melcher suggested the Department of Labor consider performing a study looking at total compensation to include the loaded cost of an employee, with the cost of all benefits as well as the employer paid portion. This would address what the real investment of an employee is. Justin McFarland indicated a study would be required to achieve this information as many of those costs are not readily available.

Chairperson Lynn expressed her appreciation for all the work being done by the Department of Labor and adjourned the meeting at 9:30. a.m. The next meeting is scheduled for January 15, 2015.