

Approved _____
Date 3/4/88

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS

The meeting was called to order by REPRESENTATIVE VERNON L. WILLIAMS at
Chairperson

9:00 AM a.m./p.m. on Wednesday, Feb. 24, 1988, 19__ in room 527-S of the Capitol.

All members were present except: All present

Committee staff present: Alan Conroy, Richard Ryan, Gordon Self, Betty Lou Chidester

Conferees appearing before the committee: Rep. R. H. Miller
Edward Flentje, Sec., Dept. of Admin.
Patricia Schloesser, Dir. of Health
Charles Dodson, KAPE
Craig Grant, KNEA
Susan Seltsam, Treas. Ofc.

The Chairman Called the meeting to order, with hearing of HB 2850 first on the agenda. Rep. Miller passed out copies of an editorial from this morning's paper and also copies of the State of Illinois Dependent Care assistance Program, which outlines the care program very clearly. He urged support of HB 2850 and HCR 5044. See Attachments #1 and #2.

Next conferee, Edward Flentje, Sec. Dept. of Administration, indicated general support of the purposes of HB 2850 and would request changes which will allow for adequate planning to implement this legislation, as well as legislative review of these plans prior to implementation. One - make the date effective July 1, 1989, rather than January 1, 1989; second - that authority to implement a state employee dependent care assistance program be permissive rather than mandatory. His written testimony is attached to and made a part of these minutes. See Attachment #3.

Next conferee, Charles Dodson, KAPE; urges support for HB 2850 as well as HCR 5044. These two bills would not only make it easier for the employees to care for their children and increase their take home pay, it would also send a clear message to the employees and to all Kansans that in this State the care and well being of our children is a priority matter. His written testimony is attached to and made a part of these minutes. See Attachment #4

Next conferee is Craig Grant who also combined his remarks on HB 2850 and HCR 5044. KNEA supports both HB 2850 and HCR 5044 even though none of their members are directly affected by the provisions. His written testimony is attached to and made a part of these minutes. See Attachment #5.

The Chairman closed the hearing on HB 2850 and opened hearing on HCR 5044 Referring to HB 2850, Kathleen Sibelius cautioned that since this is purely an optional benefit for the employee and use would depend entirely on the kind of education and kind of knowledge that the employee had - perhaps something along the line of the State of Illinois brochure which you have in front of you. Concerning HCR 5044, the key language is on page 3 where the SL was limited to 5 days for the care of relatives and now all the time may be used for that purpose.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS,
room 527-S, Statehouse, at 9:00 AM a.m./p.m. on Wednesday, Feb. 24, 1988, 19 .

Mr. Secretary, you can make the closing remarks - Mr. Flentje replied that the State is not equipped to do this - that he had requested 3 positions from out of his department to start July 1 to work on benefits analysis. We are not well equipped to move ahead with the cafeteria plan, but I am very supportive of the bill. As soon as the new benefits manager, with over 15 years experience, comes next week we can go ahead with plans.

The Chairman closed the hearing on HCR 5044.

Rep. David Miller opened the hearing on HB 2900. The bill requires the state government to set up wire transfer of funds (salaries, retirements) for both active employees and retirants. This part of financial service has come of age and it's time for state government to get into it. I would urge your favorable support of this bill. I am not aware of a fiscal note on this procedure, but I suppose we will be informed.

Susan Seltsam, Treasurer's office, opposes this bill due to the cost. Her written testimony is attached to and made a part of these minutes. See Attachment #6.

Charles Dodson, KAPE, strongly supports HB 2900. (See Attachment #4)

Jerel Wright - Credit Unions

There are over 200 credit unions in the State of Kansas and they are very supportive of HCR 5044 and HB 2900. Among the many employers they service, State of Kansas is the only one who does not offer the service of wire transfer.

Hearing closed on HCR 5044.

David Miller had a few closing remarks to say about HB 2900 - to the effect that the state already had use of employees money for 15 days and earning interest on it. He had checked with some banks who said there was virtually no greater cost between processing the warrant and EFT.

Patricia T. Schloesser, Director of Health was unable to be present to give her testimony on HB 2850, but her written testimony is attached to and made a part of these minutes. See Attachment #7.

Meeting adjourned at 10:00 AM

Rep. David Miller

Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

7/24/88

NAME	ADDRESS	ORGANIZATION	BILL NO.
Graig Grant	Topeka	K-NEA	
Glenn Madson	Topeka	USA	
Carol Keh	Topeka	KFT	
Janel Wright	Topeka	Ks Credit Union League	
Dolores Gonzales	Topeka	K. C. C.	
Patricia	Topeka	R. S. P.	
Barbara Suda	Topeka	McCallister	
Lt. Bob Jiff	Topeka	KHP	
Cindy Becker	Topeka	Judicial	
Jim Joss	Lawrence	Ky	

Murray

The Wichita Eagle
Established 1872

The Wichita Eagle-Beacon

The Wichita Beacon
Established 1872

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Executive Editor

KEITH MURRAY
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WILLIAM R. HANDY
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GEORGE NEAVOLL
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Editorials

Day care

Strong support for federal aid

“FOR the first time in decades, children can't say they're going to be better off than their parents,” Rep. Tony Coelho, D-Calif., argued recently. His sentiments echo those of other Democrats and Republicans, liberals and conservatives, members of organized labor and commerce and industry leaders. All agree there's a desperate need for some form of federally supported child care program. With the support of so many divergent groups, it's virtually assured that some kind of child care program will come out of Congress this session. The problem lies in determining which of two Senate bills — a \$2.5 billion child care bill sponsored by the Democrats or a \$375 million proposal submitted by the Republicans — to support.

Introduced last year by Sen. Christopher Dodd, D-Conn., the \$2.5 billion “Act for Better Child Care Services” or ABC bill would help states subsidize child care for low- and middle-income families, increase the number of child care facilities and staff and coordinate child care resources. It sets federal standards for day care centers and homes, as well as training standards for day care workers.

The \$375 million bill sponsored by Sen. Orrin Hatch, R-Utah, would give states \$250 million for grants to local governments, businesses and others to improve child care services. The bill would help states set up liability pools, limit the liability of child care providers, give tax credits to employers who furnish on-site child care for employees, and help home child care providers make capital improvements.

The solution could be combining aspects of both the ABC and the Hatch bills. The ABC bill, for example, doesn't address the liability issues or the possibility of tax credits to employers who provide child care. The Hatch bill doesn't take into consideration the importance of proper licensing of facilities or training for providers. Both bills must be reconciled as to cost.

Congress should be able to arrive at a compromise bill that would provide families with the assistance they need in finding available, affordable, quality care for children while parents are working — without breaking the bank to do it. The support for such legislation is in place; it's up to Congress, now, to decide the details.



CMS

State of Illinois • James R. Thompson, Governor • Department of Central Management Services

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**STATE OF ILLINOIS
DEPENDENT CARE ASSISTANCE PROGRAM
DEPARTMENT OF CENTRAL MANAGEMENT SERVICES**

**THE TAX-ADVANTAGED WAY TO PAY
FOR DEPENDENT CARE EXPENSES**

A common problem of many working parents is finding high quality care for their dependents. When they do find it, they realize just how expensive good care is. Sometimes the cost of dependent care makes you wonder: "Can I afford to work?" The answer? Yes! Because the Illinois Department of Central Management Services is introducing a new program that lets you use tax-free dollars to pay for dependent care.

Because the State of Illinois recognizes the importance of high-quality, reliable dependent care and is

well-aware of the associated costs — we're doing something about it. We're making care for your dependents more affordable by giving you the opportunity to pay for dependent care the tax-advantaged way — with tax-free dollars from a flexible spending account. Since the State of Illinois flexible spending account is designed to help with your dependent care expenses, we're calling it the Dependent Care Assistance Account — or, the DCAA.

**TAX-FREE DOLLARS?
HOW DO I GET THEM?**

Tax-free dollars are easy to come by — if you are a State of Illinois employee. All you have to do is decide how much to contribute to the DCAA. The amount of your contribution is deducted from your pay and deposited into your DCAA before Illinois Federal and Social Security* taxes are withheld. So this amount doesn't appear on your W-2 Form as taxable income — and a lower taxable income means you pay less taxes.

Tax-free dollars are then deposited into your DCAA. When you have an eligible dependent care expense, you pay for the expense and apply for reimbursement from your account. Then, you are reimbursed for the amount of the expense with these tax-free dollars.

* Please note that since your contribution is deducted before Social Security taxes are withheld, the benefit you eventually receive from Social Security may be slightly reduced.

**HOW SOON CAN I
BEGIN CONTRIBUTING?**

If you are an employee of the State of Illinois, you can start contributing to the DCAA beginning with your first paycheck of a tax year. If you are a

new employee and join the plan during the year (that is, after January 1), you can enroll within 30 days following your date of hire. At this date, retirees and annuitants (except for 75-day retirees) may not participate.

If you are married, both you and your spouse must work outside of your home in order to be eligible for the DCAA. Your spouse may be self-employed, as long as your dependents are cared for by an eligible dependent care provider. If your spouse is disabled or a full-time student, you can use the DCAA even though your spouse may not be employed.

To begin your participation in the plan, complete and return to your Group Insurance Representative the attached enrollment form before November 17. This form asks for information on your family situation that pertains to DCAA participation, such as dependents' names and ages and the amount of your contribution.

Once your enrollment form is processed by the Department of Central Management Services, payroll deduction of your contributions begins with your first paycheck issued after January 1 and occurs each pay period. Looking at the following chart, you can see how contributing \$5,000 to the DCAA each year would affect the amount of each paycheck:

Pay Schedule	DCAA Deduction From Each Paycheck
Semi-monthly	\$208.33
Bi-weekly	\$192.30
Monthly	\$416.66

**HOW MUCH CAN I
CONTRIBUTE TO THE DCAA?**

Perhaps the best way to determine how much to contribute to the DCAA for next year is to examine your dependent care expenses for the current year. Add up your receipts and cancelled checks and then think about how your expenses next year will compare to those of last year. We've included a short worksheet section to help you.

It's important to calculate the amount of your deposits carefully for a couple of reasons. To begin with, any money left in your DCAA after reimbursement of one plan year's expenses cannot be carried over and applied toward next year's expenses. Instead, these amounts are forfeited according to Internal Revenue Service regulations. At the end of the plan year, all forfeited amounts are added together and divided evenly among all participants as taxable income.

Also, once you have determined your contribution amount, it stays in

force until the end of your tax year. At that time, you will be given the opportunity to re-enroll and make any changes for the upcoming tax year.

The minimum contribution to the DCAA is \$20 each month. The maximum annual deposit is the lesser of:

- \$5,000
- Your taxable income
- Your spouse's taxable income

Taxable income includes income from all sources, not just the State of Illinois. Note that \$5,000 is a combined annual maximum for the plan. That is, if you and your spouse are both State of Illinois employees and you are both contributing to the DCAA, your contributions together cannot total more than \$5,000. However, if your spouse has a dependent care account available through another employer, you and your spouse can each contribute up to \$5,000.

If you are hired after the start of a plan year, the minimum you can contribute is still \$20 each month. The maximum is a proportionate amount of the 12-month maximum. This amount is determined by the number of months you actually participate.

The DCAA is designed so that participants at all pay levels benefit equitably. To ensure that this occurs, the Internal Revenue Service requires that the plan pass a discrimination test. If the plan does not pass the test, it is possible that the contributions made by highly compensated employees may be limited.

You are considered a highly compensated employee of the State of Illinois if you are an officer of the State or a State-related enterprise and your total compensation is over \$75,000. If your compensation is greater than \$50,000 and you are in the top 20% compensation bracket, you are also considered a highly compensated employee.

FAMILY STATUS CHANGES

There are, however, instances when you will be able to change your contribution rate in mid-year if certain changes occur in your family. Under

the following circumstances you may change or stop your contributions to the DCAA:

- Marriage
- Divorce
- Death
- Birth or adoption of a child
- Termination of your spouse's employment
- Increase or reduction in family income resulting from a change in or loss of employment

The change in your family status must be reflected in your contribution change. For example, if your spouse is promoted, you can increase your contribution but cannot reduce it.

**ARE ALL OF MY DEPENDENT
CARE EXPENSES ELIGIBLE
FOR REIMBURSEMENT?**

The DCAA can be used to reimburse several different types of expenses for your eligible dependents. Generally, eligible dependents are your children under age 15 whom you claim as exemptions on your Federal tax return. However, your dependents over age 15 (including your spouse) who require care may also be eligible dependents if they:

- Spend eight or more hours a day in your home,
- Are physically or mentally incapable of being left alone, and
- Are claimed as dependents on your Federal tax return.

Not all dependents are the same, and neither are all dependent care expenses. The dependent care you need depends on the number and ages of your dependents and their individual needs. So the DCAA covers several different dependent care expenses:

- Day care centers (Where applicable, must be state and locally licensed)
- Nursery school and pre-school (Private or public, for children up to age six, as long as they are not also in a full-time school environment. Note that kindergarten is considered full time.)

- Before and after-school care
- Special education schools your children require so you can be gainfully employed
- Babysitter or nurse (Or any other dependent care services provided inside or outside your home, but not by your child under the age of 19 years, or any individual you claim as a dependent for income tax purposes. So, for example, as long as you don't claim them as dependent, grandparents could provide care for your dependents and you could reimburse them from your DCAA.)
- Housekeeper (If you have a housekeeper who cares for your dependents as well as your house, you can use the DCAA to pay that portion of the expense that is due to dependent care.)

- Transportation related to dependent care services

Which expenses are not considered eligible for reimbursement from your DCAA? Food and clothing expenses, summer camp and special instruction, i.e., dance, music, art and swimming lessons, are some expenses which are not eligible for reimbursement.

**HOW DO I GET REIMBURSED
FROM MY DCAA?**

Each month, you will receive a turnaround claim form from the Illinois Department of Central Management Services. This form includes the following pre-printed information: your name, Social Security number, account balance and any carry-over amounts that could not be reimbursed in the previous month because your claim was larger than your account balance. If you do not have any expenses for the month, retain the form for a future month's expenses.

If you do have expenses, you should complete the form, attach bills, invoices, receipts, cancelled checks or other statements verifying the amount of the expense, sign the claim form and return it to the Department of Central Management Services.

The minimum monthly reimbursement amount is \$50. This minimum is

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ENROLLMENT FORM

waived for the last claim you submit each year, so if you have any reimbursable dependent care expenses at the end of the year, complete the claim form regardless of the amount.

In addition, you can be reimbursed only up to your account balance. If you submit a claim for reimbursement that is larger than your account balance, you will be reimbursed up to your account balance. The unreimbursable amount will be paid to you in the next claim period when the necessary funds have been deposited into your

DCAA through payroll deduction.

The amount you contribute to the DCAA in a given year can only be used to reimburse expenses incurred in that same year. However, you have until March 31 of the next year to submit a claim for those expenses. All claims must be received by March 31 following the end of the plan year. Remember, any amount remaining in your DCAA after this date is forfeited in accordance with IRS regulations.

Each October you will receive a statement showing the current bal-

ance of your account so that you can keep track of the money in your DCAA. And each January you will receive a statement showing the total amount of reimbursements you have received from the plan for the previous year. For example, in October 1987, you will receive a statement showing your 1987 account balance. Then in January 1988, you will receive a statement providing your total reimbursements for 1987. In addition, your turnaround claim form keeps a running account balance.

Section A — Type of Transaction

- | | | |
|--|--|---|
| 1. <input type="checkbox"/> Initial enrollment | 5. <input type="checkbox"/> Revocation* | 8. <input type="checkbox"/> Name change (state previous name) |
| 2. <input type="checkbox"/> Re-enrollment | 6. <input type="checkbox"/> Change of home address | |
| 3. <input type="checkbox"/> New employee | 7. <input type="checkbox"/> Addition of dependents | 9. <input type="checkbox"/> Transfer to new agency |
| 4. <input type="checkbox"/> Change deposit amount* | | effective date ____/____/____ |

*A change in the deposit amount or revocation can only take place if there is a change in family status. This requires the completion of a form certifying the change in status.

IF INITIAL ENROLLMENT, RE-ENROLLMENT OR NEW EMPLOYEE, COMPLETE THE ENTIRE FORM. IF ANY OTHER TYPE OF TRANSACTION, COMPLETE ONLY EMPLOYEE NAME, SOCIAL SECURITY NUMBER AND NEW INFORMATION.

Section B — Employee Information

Last Name	First	Initial	Social Security No.
			()
Street Address	City	State	Zip Code
			Home Phone
Agency			
			Agency Code
			()
Work Address	City	State	Zip Code
			Work Phone
Pay Code	Employee Salary (Annual)	Position Code	Marital Status
Shaded areas completed by Group Insurance Representative			

Section C — Spouse Information

(Your spouse is the person you are married to at the end of the plan year.)

Last Name	First	Initial	Social Security No.
Employer			
Employer Address			
City			
State			
Zip Code			
Is your spouse			
<input type="checkbox"/> A full time student?			
Name of School: _____			
<input type="checkbox"/> Physically or mentally incapable of self care?			
If either box is checked,			
enter \$2400 in the spouse income for one dependent or			
enter \$4800 in the spouse income for two or more dependents.			

Annual Income of Spouse: \$ _____

If your spouse is contributing to the Dependent Care Assistance Plan, your and your spouse's contribution can total no more than \$5,000 annually. Your spouse's annual contribution is \$ _____

(see other side)

DEPENDENT CARE ASSISTANCE ACCOUNT WORKSHEET

HOW MUCH SHOULD I DEPOSIT INTO MY DCAA?

Your new Dependent Care Assistance Account (DCAA) allows all State of Illinois employees to pay for eligible dependent care expenses on a tax-free basis. This means the money is deposited before Federal and Illinois taxes are withheld from your pay. You will have the option to participate in the DCAA beginning January 1, 1987.

This worksheet will assist you in calculating how much to deposit for dependent care expenses. It is important to plan carefully how much you deposit in your DCAA. If you have money left in the account at the end of the year and you have no claims for expenses by March 31 of the next year, you will forfeit your unused balance in accordance with IRS regulations.

Your DCAA can provide a convenient way to pay for dependent care expenses while saving you money. Take time to analyze your dependent care expenses. When you calculate your DCAA deposit, consider the following questions:

- Do you pay your housekeeper part of the day to care for your child?

- Do you pay for after-school care for a child under age 15?
- Do you have a dependent attending nursery school this year?

DEPENDENT CARE ASSISTANCE ACCOUNT (DCAA)

List the amount you spent or anticipate spending for:

	Last Year's Actual Expenses	Next Year's Projected Expenses
Babysitter	\$ _____	\$ _____
Day-care center	\$ _____	\$ _____
Nursery school	\$ _____	\$ _____
Adult in-home day care	\$ _____	\$ _____
Other	\$ _____	\$ _____
Total	\$ _____	\$ _____

Continued on back panel

Section D — Dependent Information

(List the names of all dependents you want covered under the plan.)

	Name Last, First, Initial	Relationship	Date of Birth	Soc. Sec. No (If available)	Check if Handicapped
1.	_____	_____	_____	_____	<input type="checkbox"/>
2.	_____	_____	_____	_____	<input type="checkbox"/>
3.	_____	_____	_____	_____	<input type="checkbox"/>
4.	_____	_____	_____	_____	<input type="checkbox"/>
5.	_____	_____	_____	_____	<input type="checkbox"/>

Section E — Deduction Authorization/Revocation

- I authorize the State of Illinois to deduct from my total compensation the amount of \$ _____ for each (check one)
- Monthly Semi-monthly Bi-weekly pay period. My deductions should begin on: ____/____/____
- The estimated annual expense for my dependent care is \$ _____
- or
- I hereby revoke participation effective the pay period starting ____/____/____

Section F — Certification Statement

- I understand that:
- I may not change or stop my deposits to these accounts during the plan year unless my family status changes, and then only changes consistent with the change in family status will be permitted.
 - I understand that missed deductions will be adjusted on subsequent payrolls.
 - I will lose any unused balance remaining in my account as of the end of the plan year. However, I may receive a payment as additional taxable compensation when all unused balances are reallocated among plan participants.
 - My signature on this form indicates that I certify that to the best of my knowledge the information on this form is accurate; and that I am responsible for any discrepancies that may affect my status with the Internal Revenue Service.

Employee Signature: _____ Date: ____/____/____

Send the completed form to your Group Insurance Representative.

AGENCY USE ONLY

Reviewed by: _____
Date: ____/____/____ FSA Code: _____ GIR Code: _____



IS THE DCAA THE BEST WAY FOR ME TO PAY DEPENDENT CARE EXPENSES?

The opportunity to pay for dependent care expenses using tax-free dollars sounds too good to pass up — and it may be. It's important to note, however, that if you are reimbursed from your DCAA for an expense, you cannot claim that expense for a tax credit on your Federal tax return. If your gross pay is less than \$28,000 you are generally

better off using the dependent care credit on your tax return. However, we recommend you do your own calculations to verify which is better for your particular circumstances. Here are four examples of employees with different situations.

EXAMPLES

#1 MARRIED — 2 DEPENDENTS

	Without DCAA or Tax Credit	With Dependent Care Credit on Tax Form	With DCAA
1. Annual Pay	35,000	35,000	35,000
2. Before-Tax Benefit Expense	0	0	5,000
3. Taxable Income (1 minus 2)**	35,000	35,000	30,000
4. Tax*			
• FICA, Federal, State	13,304	13,304	11,403
• Tax Credit (+)**	0	960	C
5. Take Home Pay (3 minus 4)	21,696	22,656	18,597
6. After-Tax Benefit Expense	5,000	5,000	C
7. Real Disposable Income (5 minus 6)	16,696	17,656	18,597

#2 SINGLE, HEAD OF HOUSEHOLD — 2 DEPENDENTS

	Without DCAA or Tax Credit	With Dependent Care Credit on Tax Form	With DCAA
1. Annual Pay	16,000	16,000	16,000
2. Before-Tax Benefit Expense	0	0	2,400
3. Taxable Income (1 minus 2)**	16,000	16,000	13,600
4. Tax*			
• FICA, Federal, State	4,002	4,002	3,401
• Tax Credit (+)**	0	648	C
5. Take Home Pay (3 minus 4)	11,998	12,646	10,199
6. After-Tax Benefit Expense	2,400	2,400	C
7. Real Disposable Income (5 minus 6)	9,598	10,246	10,199

#3 SINGLE, HEAD OF HOUSEHOLD — 2 DEPENDENTS

	Without DCAA or Tax Credit	With Dependent Care Credit on Tax Form	With DCAA
1. Annual Pay	25,000	25,000	25,000
2. Before-Tax Benefit Expense	0	0	4,000
3. Taxable Income (1 minus 2)**	25,000	25,000	21,000
4. Tax*			
• FICA, Federal, State	9,503	9,503	5,252
• Tax Credit (+)**	0	880	C
5. Take Home Pay (3 minus 4)	15,497	16,377	15,748
6. After-Tax Benefit Expense	4,000	4,000	C
7. Real Disposable Income (5 minus 6)	11,497	12,377	15,748

#4 MARRIED — 2 DEPENDENTS

	Without DCAA or Tax Credit	With Dependent Care Credit on Tax Form	With DCAA
1. Annual Pay	60,000	60,000	60,000
2. Before-Tax Benefit Expense	0	0	5,000
3. Taxable Income (1 minus 2)**	60,000	60,000	55,000
4. Tax*			
• FICA, Federal, State	21,680	21,680	20,158
• Tax Credit (+)**	0	960	C
5. Take Home Pay (3 minus 4)	38,320	39,280	34,842
6. After-Tax Benefit Expense	5,000	5,000	C
7. Real Disposable Income (5 minus 6)	33,320	34,280	34,842

*Based on 28% and 15% Federal tax rates, 2 1/4% Illinois tax rate, and 7.51% Social Security tax rate.
**No assumptions have been made in these examples as to other deductions. These other deductions may make the Dependent Care Credit more advantageous.

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PLAN FACTS AT A GLANCE

Objective	To provide employees with a tax-efficient way to pay for dependent care expenses.	Account Statements	Monthly, you receive a running account balance as part of your turn-around claim form. Each October, you receive a special statement showing your remaining balance. Each January, you receive a statement showing your account activity for the entire year.
Eligibility	Any employee of the State of Illinois can participate.		
Enrollment	Complete and return the attached enrollment form to your Group Insurance Representative by November 17.	Changes	You can stop or change your contributions if you have a change in family status such as birth, adoption, marriage, divorce, death, or loss of your spouse's job.
Contributions	On a before-tax basis through payroll deduction. The minimum monthly contribution is \$20; the maximum annual contribution is the lesser of \$5,000 or your or your spouse's taxable income.	Forfeitures	Money left in your account on March 31 is forfeited according to IRS regulations. Forfeited amounts are combined and distributed evenly among all participants as taxable income.
Reimbursement	Submit a claim form, with receipts, to the Illinois Department of Central Management Services up to once a month. The minimum reimbursement is \$50; the maximum is your account balance. Note that there is no minimum amount for the last claim of the year.	Tax Advantages	The DCAA allows you to pay for several dependent care expenses with tax-free dollars. It is important to remember that expenses that are reimbursed by the DCAA cannot be claimed for tax credit on your Federal tax return.



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ATTACHMENT #2

STATE OF KANSAS



DEPARTMENT OF ADMINISTRATION

State Capitol
Topeka 66612-1572
(913) 296-3011

H. Edward Flentje, *Secretary*

Testimony on H.B. 2850
H. Edward Flentje
February 24, 1988

House Bill 2850 mandates a new benefit for state employees, that is, a state employees dependent care assistance program to be effective no later than January 1, 1989. I want to indicate general support of the purposes of H.B. 2850 and request changes which will allow for adequate planning to implement this legislation, as well as legislative review of these plans prior to implementation.

I suggest two changes: first, that the effective date for implementation of a state employee dependent care assistance program be July 1, 1989, rather than January 1; and second, that authority to implement a state employee dependent care assistance program be permissive rather than mandatory.

Let me explain these proposed changes: First, making the effective date July 1, 1989, will allow affected agencies (eg., the Division of Personnel Services, the Division of Accounts and Reports, and the Division of Information Systems and Communications, among others) adequate time to assess the impact of this optional benefit and prepare for implementing it. Many questions remain unanswered at this time and must be addressed prior to implementation. A July 1 effective date will also allow the legislature time to review and act on implementation plans before they are implemented.

Second, I urge that H.B. 2850 be made permissive rather than mandatory. I cannot recommend mandating this benefit until its fiscal impact is better understood and until employees' views are considered. An Employee Advisory Committee on health benefits has recently been reactivated, and a new benefits manager will start work next week. I would prefer to have their advice on the cafeteria plan in general prior to mandating specific benefits as a part of that plan.

ATTACHMENT #3

2/24/88



Presentation of Charles Dodson to the
Committee on Pensions, Investments and Benefits
February 24, 1988

Mr. Chairman, members of the committee. Thank you for this opportunity to speak in support of HB2850 and HCR 5044. These bills are necessary and important. The work force of state government is changing and it is important that the laws and rules and regulations which govern these people be flexible and change to meet their needs and the needs of this State.

Child care is becoming an ever increasing expense item for state workers. These two bills would not only make it easier for the employees to care for their children and increase their take home pay, it would also send a clear message to the employees and to all Kansans that in this state the care and wellbeing of our children is a priority matter.

6500
The membership of the Kansas Association of Public Employees are firmly convinced that these measures are necessary, and would urge your support.



Presentation of Charles Dodson to the
Committee on Pensions, Investments and Benefits
February 24, 1988

Mr. Chairman, members of the committee. Thank you for this opportunity to speak in support of HB2900. This bill simply allows employees and retirants to have their monthly compensation deposited into their account in a bank, savings and loan institution or credit union.

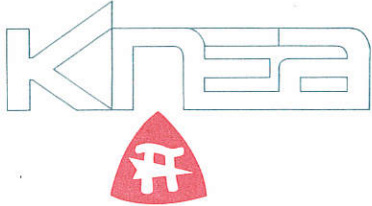
The present system of courier and/or mail delivery is just not reliable. Retirants and state employees live all over the United States. We must make every effort to insure that they are paid on time.

The way the system works now, if a recipient does not receive a check in the mail, the personnel office must be notified, certification of non-receipt must be signed, the warrant voided and a supplemental check issued. Then that warrant must be remailed and then, perhaps, received by the employee.

This is a costly and time consuming process for the employee and the state. Costs that could be avoided in many instances if this bill passes.

It is important to note that this feature would be voluntary and would only be used at the employees request. The problem is not new and in spite of many costly corrective measures taken by the state to correct the problem, it still persist. The provisions of this bill just make good sense.

Thank you for this opportunity to express our views on HB 2900.



Craig Grant Testimony Before The House
Pensions, Investments & Benefits Committee
Wednesday, February 24, 1988

Thank you, Mr. Chairman. Members of the Committee, I appreciate this opportunity to visit with the committee on HB 2850. I would also like to combine my comments on HCR 5044 with HB 2850.

Kansas-NEA supports both HB 2850 and HCR 5044 even though none of our members are directly affected by the provisions. We believe that HB 2850 is an excellent concept which allows "125" plans or "cafeteria" plans to extend to a dependent care assistance program which is to be established by the state. This is something we believe that all "enlightened" employers should establish and if the state shows the way, then other employers such as school boards might use the state as an example and establish similar programs. We do have some 125 plans in school districts where money can go to dependent care; but those are the exception rather than the rule.

HCR 5044 requests the state to alter its sick leave policy to allow all sick leave to be used for an illness or disability of a member of the employee's family. We have been successful in negotiating this type of provision in most of our contracts and believe that this is an area in which the state should follow the lead of school districts.

Kansas-NEA hopes that you will report both HB 2850 and HCR 5044 favorably for passage. Thank you for listening to our concerns.

Joan Finney

TREASURER



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February 24, 1988

House Committee on Pension,
Investments and Benefits

RE: HB 2900

Mr. Chairman:

This bill requires the director of accounts and reports to develop and authorize a plan to allow salaries and wages of state officers and employees to be deposited directly in financial institutions. These direct deposits are to be made only upon the employee's direction.

The bill further strikes language pertaining to the economic feasibility of the same type payment of retirement benefits.

Since 1979 there has been statutory authority to allow electronic funds transfer (EFT) as a means of paying salaries and wages to state employees (K.S.A. 75-3733) however, it required this method to be determined as economically feasible.

The State Treasurer's Office presents the following facts for your review and use in determining the cost associated with this bill.

1. Warrant issuance of payroll is earning the state general fund an average of \$30,000 interest income each month. \$360,000.00 annually.
2. KPERS warrant payments earn an additional \$8,000 interest per month. \$96,000.00 annually.
3. Bank charges for EFT are 10¢ to 25¢ per item as opposed to charges for warrant processing, which are 1.5¢ to 4¢ per item.
4. Additional costs will be incurred in maintaining two systems; warrant issuance and EFT.

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5. Warrant volume is such that any decrease due to EFT of payroll and retirement benefits would not constitute a significant percentage of reduction in the volume.
6. There are over 1000 salary payments each month which require additional transactions.
7. The treasurer's cash accounting system is designed to utilize warrant redemption to accomplish: a) control of cash disbursements from the active bank account; b) provide investment information; c) account for the reduction in cash fund balances as payments are made; and d) provide accurate information for reconciliation purposes. EFT will require the treasurer's office to develop an additional system to accomplish a) thru d) above.

Thank you, Mr. Chairman and members of the committee, for this opportunity to appear. If there are questions, I will be pleased to respond.



DEPARTMENT OF HEALTH AND ENVIRONMENT

Forbes Field

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Mike Hayden, Governor

Stanley C. Grant, Ph.D., Secretary

Gary K. Hulett, Ph.D., Under Secretary

TESTIMONY PRESENTED TO

HOUSE PENSIONS, INVESTMENTS AND BENEFITS

BY

KANSAS DEPARTMENT OF HEALTH AND ENVIRONMENT

House Bill No. 2850

The significant increase in the number of working parents in this country has created a mutual dependence between businesses and the family. It is this interdependence which provides a rationale for the development of employer strategies to strengthen both the family and the work place. The State of Kansas, as a major employer, is profoundly affected by the concerns and responsibilities of state employees for their families.

Unprecedented numbers of mothers with young children are now working and their participation in the labor force has created a spiraling demand for child care. Employers are developing policies and programs to support working parents, and at the same time achieve company goals. Increased productivity and loyalty, enhanced public image, improved recruitment and reduction in turnover, absenteeism and tardiness are documented results of employer sponsored child care programs.

House Bill 2850 proposes that the State of Kansas offer its employees an employee supported child care program that allows the State of Kansas (employer) to deduct the cost of funding child care for their employees. Dependent care assistance would be treated as a tax free benefit like other employee fringe benefits such as health care coverage and life insurance. The costs of providing child care, within certain limits, would not be considered part of the employee's wages and therefore no FICA or other payroll taxes would have to be paid by the employer.

We support this proposed legislation which establishes a work policy which is supportive of families and should result in increased productivity, improved recruitment, reduced turnover, absenteeism and tardism and enhanced public image for the State of Kansas.

Presented by:

Patricia T. Schloesser, M.D.

Director, Division of Health

February 24, 1988

Office Location: Landon State Office Building—900 S.W. Jackson

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2/24/88