

Approved: 4-23-91  
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Vice-Chairperson Bill Wisdom at 12:10 p.m. on March 13, 1991 in room 514-S of the Capitol.

All members were present except: Representatives Dean, Hensley, Goossen, and Blumenthal (all excused)

Committee staff present:

Ellen Piekalkiewicz, Legislative Research Department  
Debra Duncan, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Susan Miller, Administrative Aide  
Sue Krische, Committee Secretary

Conferees appearing before the committee:

Charles Dodson, KAPE  
Col. Jonathan Small, Judge Advocate General, Kansas National Guard  
Faith Loretto, Staff Assistant to Secretary Griggs, Department of Administration

HB 2206 - State employees after military service to be restored to same job in the same location.

Charles Dodson, KAPE, appeared in support of HB 2206 stating the bill amends the administrative regulation which covers military leave to require that the position offered a returning employee of comparable status and salary to the former position be in the same geographic location (Attachment 1). The bill does not alter the regulation except to require that the offered position be in the same geographic location.

Col. Jonathan Small, Judge Advocate General, Kansas National Guard, testified in support of HB 2206. He stated the geographic location is an important feature of the regulation. This legislation will apply, not only to persons currently in the Persian Gulf, but to all state employees who are activated in the future.

Faith Loretto, Staff Assistant to Secretary Griggs, Department of Administration, appeared in support of HB 2206.

HB 2433 - KPERS, conflict resolution.

Alan Conroy, Kansas Legislative Research Department, distributed a supplemental note on HB 2433 (Attachment 2) and explained that this is a technical bill recommended by the Revisor of Statutes Office to resolve statutory conflicts resulting from the fact that two sections of K.S.A.s were amended twice in 1990 and one section was amended twice in 1989. No new policy matters are contained in the bill.

Representative Hamm moved that HB 2206, as amended by the House Committee on Pensions, Investments and Benefits, be recommended favorably for passage. Representative Chronister seconded. Motion carried. Representative Chronister moved that HB 2433 be recommended favorably for passage and, because the Committee is of the opinion that the bill is of a noncontroversial nature, be placed on the consent calendar. Representative Hamm seconded. Motion carried.

**INTRODUCTION OF BILLS**

Representative Patrick requested introduction of a bill concerning establishment of a child care facility in the state capitol for certain children of members of the Legislature. Representative Helgeson moved introduction of the bill. Representative Chronister seconded. Motion carried.

Representative Gatlin distributed copies of the FY90 subcommittee report on the Insurance Department calling the members attention to the background material on the Second Injury Fund included on page 4 of the report (Attachment 3). Representative Gatlin provided this information as a follow up to discussion of the Fund at a previous meeting.

Vice-Chairman Wisdom assigned a subcommittee of Representative Turnquist, chairman, Representative Solbach and Representative Heinemann to study HB 2126 and report back to the Committee with recommendations. HB 2126 was referred to Appropriations from General Orders on March 11, 1991 and concerns automobile liability insurance. The meeting was adjourned at 12:40 p.m. The next meeting is scheduled for Monday, March 18 at 1:30 p.m. in 514-S.



Presentation to  
House Committee on Appropriations  
by  
Charles Dodson  
Kansas Association of Public Employees

Mr. Chairman, members of the Committee, thank you for allowing me the opportunity to speak in support of HB 2206.

KAR 1-9-7a is the administrative regulation which covers military leave. Subsections (a) and (b), provide that an employee shall "be restored to a former position or to a similar position with like status and salary" or "to be offered a position comparable in status and salary to the former position" in the event of disability.

HB 2206 does not alter the regulation except to require that the offered position be in the same geographic location.

In metropolitan areas there would be little, if any, problem with the existing regulations. However, our concern is that in rural areas the returning serviceman may not be reemployed unless he/she is willing to relocate. This would create serious problems for the returning serviceman or woman.

HB 2206 makes it clear that the same or similar position must be in the same location the employee worked prior to being called to active duty.

SESSION OF 1991

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2433

As Recommended by House Committee on  
Pensions, Investments, and Benefits

**Brief\***

H.B. 2433 is a technical bill recommended by the Revisor of Statutes Office to resolve statutory conflicts resulting from the fact that two sections of *Kansas Statutes Annotated* were amended twice in 1990 and one section was amended twice in 1989. No new policy matters are contained in the bill.

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\* Supplemental Notes are prepared by the Legislative Research Department and do not express legislative intent.

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Attachment 2



**SUBCOMMITTEE REPORT**

Agency: Insurance Department

Bill No. 39

Bill Sec. 11

Analyst: Rampey

Analysis Pg. No. 133

Budget Pg. No. 342

| <u>Expenditure Summary</u> | <u>Agency<br/>Req. FY 90</u> | <u>Governor's<br/>Rec. FY 90</u> | <u>Subcommittee<br/>Adjustments</u> |
|----------------------------|------------------------------|----------------------------------|-------------------------------------|
| <b>All Funds:</b>          |                              |                                  |                                     |
| State Operations           | \$ 11,420,815                | \$ 11,625,285                    | \$ 3,092                            |
| Local Aid                  | 3,800,000                    | 3,800,000                        | --                                  |
| Other Assistance           | 47,588,000                   | 47,588,000                       | --                                  |
| Total                      | <u>\$ 62,808,815</u>         | <u>\$ 63,013,285</u>             | <u>\$ 3,092</u>                     |
| <b>State General Fund:</b> |                              |                                  |                                     |
| State Operations           | \$ 4,309,820                 | \$ 4,479,920                     | \$ --                               |
| Other Assistance           | 4,000,000                    | 4,000,000                        | --                                  |
| Total                      | <u>\$ 8,309,820</u>          | <u>\$ 8,479,920</u>              | <u>\$ --</u>                        |
| <b>FTE Positions</b>       | 153.7                        | 151.2                            | --                                  |

Agency Request/Governor's Recommendations

For FY 1990, the Department estimates expenditures of \$62,808,815, of which \$8,309,820 would be from the State General Fund. Included in the State General Fund amount is \$63,530 for the salaries and benefits of 3.5 FTE new positions. In addition, the Department plans to shift half of the salary of a current employee to the Workers' Compensation Fund, for a savings to the State General Fund of \$11,352. For FY 1990, the Governor recommends expenditures of \$63,013,285, an increase of \$204,470 over the Department's request. The State General Fund portion of the increase would be \$170,100. The only change the Governor makes to the Department's request is in the area of salaries and wages. The Governor approves the addition of 2.0 FTE new positions (one in the insurance regulation program and one in the workers' compensation program) and approves the shift of half of the salary of a current employee from the insurance regulation program to the workers' compensation program. The Governor's recommendation provides for a 4.0 percent salary increase for classified employees, a merit pool for unclassified employees, and increased employee health insurance benefits.

Senate Subcommittee Recommendations

FY 1990. The Subcommittee concurs with the Governor's recommendations, with the following exception:

1. In order to accurately reflect the Governor's intention to fund increased employee health insurance benefits, add \$493 for administrative costs associated with the Firefighters Relief Fund and \$2,599 for administrative costs associated with the Workers' Compensation Fund.

In addition, the Subcommittee makes the following comments:

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Attachment 3

1. The Subcommittee concurs with the Governor's policy of reappropriating without limit money from the State General Fund. In the past, this policy has been applied to the offices of the Governor and Lieutenant Governor. This year, the policy has been extended to all statewide elected officials. For the Insurance Department, it is estimated that \$9,475 will be reappropriated from FY 1989 to FY 1990.
2. The Subcommittee calls attention to the fact that the turnover rate for the insurance regulation program, which is funded from the State General Fund, was 6.1 percent for FY 1988. The Insurance Department has had an unusually high turnover rate in past years and the 6.1 percent rate is lower than it has been.
3. The Subcommittee wishes to note that the increase from FY 1989 to FY 1990 in State General Fund expenditures for agency operations (excluding expenditures for salaries and actuarial studies) is \$1,345 or .17 percent.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee, with the following exception:

1. Separate the appropriation from the State General Fund for the insurance company regulation program contained in S.B. 39 into one line item for salaries and wages and one line item for other operating expenditures.

Senate Committee of the Whole Recommendations

The Senate Subcommittee of the Whole concurs with the recommendations of the Senate Committee.

House Subcommittee Recommendations

| <u>Expenditure Summary</u> | <u>Agency<br/>Req. FY 90</u> | <u>Senate<br/>Rec. FY 90</u> | <u>House<br/>Subcommittee<br/>Adjustments</u> |
|----------------------------|------------------------------|------------------------------|---|
| All Funds:                 |                              |                              |   |
| State Operations           | \$ 11,420,815                | \$ 11,628,377                | \$ 7,619                                      |
| Local Aid                  | 3,800,000                    | 3,800,000                    | --  |
| Other Assistance           | <u>47,588,000</u>            | <u>47,588,000</u>            | --  |
| TOTAL                      | <u>\$ 62,808,815</u>         | <u>\$ 63,016,377</u>         | <u>\$ 7,619</u>                               |
| State General Fund:        |                              |                              |   |
| State Operations           | \$ 4,309,820                 | \$ 4,479,920                 | \$ 7,619                                      |
| Other Assistance           | <u>4,000,000</u>             | <u>4,000,000</u>             | --  |
| TOTAL                      | <u>\$ 8,309,820</u>          | <u>\$ 8,479,920</u>          | <u>\$ 7,619</u>                               |
| FTE Positions              | 153.7                        | 151.2                        | --  |

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The House Subcommittee concurs with the recommendations of the Senate, with the following exception and comments:

1. Add \$7,619 from the State General Fund for fees for other services. The amount is added in order to pay for an increase in the fee the Kansas Bureau of Investigation charges the Insurance Department to do a background check on applicants to become licensed as insurance agents. (The fee increase from \$3.00 per applicant to \$4.00 was not known until March, 1989.) It is estimated that more than 7,000 background checks will be done. Although an application fee is charged so that costs associated with the background check will be recovered, the fee goes to the State General Fund, not to the Insurance Department.
2. The 1988 Legislature passed legislation (H.B. 3055) that permits the Insurance Department to contract with a testing service to administer agent examinations, thus relieving the Department of some of its workload. Consequently, in the 1988 Omnibus Bill, the Legislature reduced the Department's position limitation by 1.0 FTE and deleted \$12,125 from the State General Fund for salaries. However, the item was vetoed by the Governor because it was combined with another action to which the Governor objected. The result is that the position and funding were not deleted, even though that was what the Legislature intended. Knowing that, the Department has kept the position vacant.

Other duties imposed by H.B. 3055, specifically the new requirement that insurance agencies be licensed and that there be a continuing education requirement for agents (necessitating the approval of continuing education courses by the Department and the verification that approximately 32,000 agents have met the requirement and paid their fees) have caused an unanticipated increase in workload so that the Department says it needs the position after all. In fact, it has employed temporary workers to perform the new functions imposed by 1988 H.B. 3055.

The Governor includes funding for the position in the Department's budget and the Senate concurs. The House Subcommittee concurs also, but thinks the situation needs to be explained because it is contrary to what legislators understood during the 1988 Session.

3. The Subcommittee notes that, as of the end of January, the Department has spent 68 percent of its approved amount for communications and will have to shift funds from other object codes later this year to pay communications expenses.

The Subcommittee observes that communications costs are rising and suggests that the Department print material on both sides whenever possible and combine several mailings into one.

One reason for increased communications costs is the assessment charged agencies by the Department of Administration for Central Mail services, which for the Insurance Department increased by 33 percent in FY 1989 and is expected to increase by 22 percent in FY 1990. Part of the growth since FY 1988 is due to higher postage rates and to a greater volume of material mailed by the Department. In addition,

apparently the FY 1988 assessment was not high enough to pay for Central Mail services and a large increase was required in FY 1989.

The Subcommittee realizes the Insurance Department does not control all of the variables that affect its communications expenses, but the Subcommittee does think the Department can look for ways to consolidate and reduce the volume of material it mails.

4. The Subcommittee wishes to call attention to the rapid growth of the Workers' Compensation Fund administered by the Insurance Department. The Fund (sometimes referred to as the "second injury fund") was created in 1974 in order to promote the state policy of encouraging employees to hire disabled workers. Employers who hire the handicapped are relieved of part or all of their liability if a handicapped worker is injured or killed on the job.

The State General Fund expenditure for the Fund was \$86,940 in FY 1975, increased to \$.5 million by FY 1979, and exceeded \$3.0 million in FY 1982. The Legislature put a \$4.0 million cap on transfers from the State General Fund to the Workers' Compensation Fund in FY 1983 and required that remaining expenditures be financed primarily from an annual assessment against insurance carriers and self-insurers. Expenditures from the Fund have grown at such a rapid rate that, by FY 1988, \$22.2 million was actually expended and estimates are that \$26.7 million will be expended in FY 1989 and \$27.9 million in FY 1990.

Some of the cost is due to the Department's expenses to administer the program, estimated to be \$3,390,526 in FY 1989 and \$3,661,168 in FY 1990. The Department presently assigns 5.1 FTE positions to the program and another 1.5 FTE positions will be added in FY 1990. A major administrative expense is fees for attorneys who represent the Department when claims against the Fund are made. Fees for attorneys, who are employed on a contractual basis, are expected to be \$2.6 million in FY 1990.

Most of the expenditures from the Fund are payments to injured workers. Payments are expected to exceed \$23.2 million in FY 1989 and \$24.2 million in FY 1990. Reasons given for the rapid growth in expenditures include an increase in the number of claims, an increase in the number of claims settled, and a growth in the amounts of the settlements. In addition, recent legislative and judicial decisions have had the effect of shifting expenditures from employers' insurance carriers to the Fund.

The Subcommittee thinks the Legislature should be made aware of this Fund and its rapid growth. Although the amount of State General Fund money involved is limited to \$4.0 million, significant expenditures are borne by employers in general. Because the Fund exists to promote a state policy, legislators should be aware of the financial consequences of that policy.

House Committee Recommendations

The House Committee concurs with the recommendation of the Subcommittee.

House Committee of the Whole

The House Committee of the Whole concurs with the recommendations of the Committee.

Conference Committee

The Conference Committee concurs with the recommendations of the House.

Shown below are estimated FY 1990 expenditures.

| <u>Expenditure<br/>Summary</u> | <u>Estimated<br/>FY 1990</u> |
|--------------------------------|------------------------------|
| All Funds:                     |                              |
| State Operations               | \$ 11,635,996                |
| Local Aid                      | 3,800,000                    |
| Other Assistance               | <u>47,588,000</u>            |
| Total                          | <u>\$ 63,023,996</u>         |
| State General Fund             |                              |
| State Operations               | \$ 4,487,539                 |
| Other Assistance               | <u>4,000,000</u>             |
| Total                          | <u>\$ 8,487,539</u>          |
| FTE Positions                  | 151.2                        |