Approved: as corrected 1/31/96 ba
Date

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at 9:07 a.m. on January 25, 1996 in Room 526-S of the Capitol.

All members were present except: Rep. Jill Grant - excused
Rep. Gary Merritt - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Bev Adams, Committee Secretary

Conferees appearing before the committee: Wayne Franklin, Secretary of KDHR
Peter Latessa, KDHR

Others attending: See attached list

Wayne Franklin, Secretary of the Kansas Department of Human Resources (KDHR), appeared before the committee to give a presentation on the closing of eight job service centers across Kansas. He gave an overview of the makeup of the agency. It is a cabinet-level agency composed of four divisions, each headed by a director: Workers' Compensation, Staff Services, Employment Security, and Employment and Training. He continued by telling of the composition of each of these divisions.

The Employment and training Division includes the Job Service program, the Job Training Partnership Act, the KanWork Program, and the Veterans Employment Services. The Job Service Program is 100% funded by the federal Wagner-Peyser Act of 1933. Due to losses in funding from July 1994 to July 1996 that paid for other programs, they have placed many of the employees from those programs into the Wagner-Peyser program to prevent layoffs. Recently they lost $62,000 of the Wagner-Peyser funding. They can no longer absorb the budget losses by placing employees elsewhere.

The funding for the Job Service program has been in a budget crisis for a long time. The funding has remained the same since 1981 although program and staff costs have continued to rise. KDHR announced on January 3, 1996 that they were laying off 37 of their Wagner-Peyser funded staff which would close eight of the Job Service offices across Kansas. In his written testimony he gives the formulas that were used in the decision of which offices to close. (see Attachment 1)

Secretary Franklin, Peter Latessa, Director of the Division of Employment and Training, KDHR, and others involved in this division answered questions from the committee.

The committee adjourned at 10:02 a.m.

The next meeting is scheduled for January 30, 1996.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE January 25, 1996

NAME	REPRESENTING
Chris Kahn	Division of Personnel Services
JEFF BUESCHER	DPS; DofA
Randy Shattle	SRS
JILL CRUMPACKER	GOVERNOR'S OFFICE
MIKE GREGORY	DIV PERS SVCS, DPT OF ADMIN
Gina Cappelli	Intern
TK Shively	KANSAS LEGAL SERVICES
Terry Leatherman	KCCI
Michael Byington	Wichita Industries + Services for the Blind.

Kansas Department of Human Resources

Bill Graves, Governor
Wayne L. Franklin, Secretary

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Presentation to the Kansas House Business, Commerce, and Labor Committee
Rep. Al Lane, Chairman
Thursday, January 25, 1996
526-South, Statehouse

Good morning, Chairman Al Lane and members of the House Business, Commerce, and Labor Committee. I am Wayne Franklin, Secretary of the Department of Human Resources (Peter Latessa, Director of Employment and Training for the Department of Human Resources). You have asked me here today to present the various events that led us to lay off 37 of our job service-funded employees, resulting in the closing of eight of our federally-funded job service centers across Kansas. I will also be presenting information on what led to the furloughing of 325 of our Unemployment Insurance employees along with 75 of our Staff Service employees during the congressional budget impasse.

Before I go into those issues, I would like to briefly tell you who we are at the Kansas Department of Human Resources. We are a cabinet-level agency composed of four divisions, each headed by a director: Workers' Compensation, Staff Services, Employment Security, and Employment and Training.

The Workers' Compensation Division administers the Workers' Compensation Program, the Industrial Safety and Health Program, and the Boiler Inspection Program.

- 93% of the funding of Workers' Compensation is from fee funds
- 4% of the division's funds come from the federal government
- 3% of the division's funds come from the state's General Revenue fund.

The Division of Staff Services is composed of seven units that provide support services for the other three divisions. These units are Personnel, Fiscal Management, Communications, Information Services, Internal Security, Labor Market Information Services, and Building and

House Business, Commerce & Labor Committee
1/25/96
Attachment 1

Office Services.

- Labor Market Information receives almost all of their funds through Bureau of Labor Statistics federal sources.
- The other units within Staff Services generally derive their funding through the other three divisions.

The Employment Security Division administers the unemployment insurance program and other related federal programs.

- This division is 100% federally-funded.
- This division's budget year runs from October 1st through September 30th.
- The Fiscal Year 1995 budget was **$15.3 million.** The Fiscal Year 1996 budget for Employment Security was projected to be **$15.6 million.** However, we now know it will be just **$14.7 million**, a reduction of almost **$1 million.**

Our Employment and Training Division encompasses a number of federally-funded programs that are designed to provide job training and employment services to our customers. During the state's Fiscal Year 1995, the Division administered a large number of employment and training programs. Among those programs, the following represent the largest federal funding sources, and have been directly impacted by federal reductions over the last two years:

The **Job Service** program assists employers in filling job openings with qualified workers and assists labor force participants with locating jobs that are suited to their skills, knowledge, and abilities. Job Service is 100% funded by the federal Wagner-Peyser Act of 1933.

The second program is the **Job Training Partnership Act**, also known as JTPA. The JTPA program provides adults and youth, who have serious barriers to employment, with job training and other services that will result in increased skills leading to greater opportunities for increased employment and earnings.

The third is the **KanWork** program. KDHR's role with KanWork was to provide KanWork participants with job placement services and to provide vocational counseling, testing, and assessment services to those participants referred to us by the Department of Social and Rehabilitation Services.

And the last major program within Employment and Training is the **Veterans Employment Services**. There are two separately funded programs with the Department that are directed at providing services to veterans. The Disabled Veterans Outreach Program funds 15 Full-Time Equivalency (FTE) positions that are dedicated to reaching out to disabled veterans and providing them with training, counseling, and employment services. The second program known as the Local Veterans Employment Representative Program funds 22 and one-half FTE positions in local Employment and Training offices. These staff work with veterans in providing them counseling, testing, and job placement services. Many of the veterans staff who provide services under the Local Veterans Employment Representative Program are also half-time Wagner-Peyser staff. Both of the veterans' programs are funded by the federal fiscal year that runs October through September. For the current Fiscal Year 1996, both programs have had actual funding reductions of about **$134,000.**

Briefly, I want to tell you what our funding losses within Employment and Training are from July of 1994 to July 1996:

For the Job Training Partnership Act Title 2 fund, we lost more than **$3 million.** In addition, due to actions by the feds, KDHR lost the Job Corp program to the tune of **$250,000** in September of 1994. KDHR placed those Job Corp employees into the Wagner-Peyser program to prevent layoffs.

Another loss we have sustained is with the Targeted Jobs Tax Credit. All states received that loss in December of 1994. Kansas lost **$230,000** of that money. Again, no layoffs. Those people were absorbed into the Wagner-Peyser program.

In a more recent budget cut, we lost **$62,000** of Wagner-Peyser funding July 1, 1995.

October 1, 1995, in our Disabled Veterans Outreach Program, we went from **$670,000** to **$614,000** - a loss of **$56,000**. In our Local Veterans Employment Representative program, we went from **$957,000** to **$879,000** - a loss of **$78,000**.

In addition to our federal dollar shortfalls, we are also losing **$1.5 million** dollars from the loss of our contract with the Department of Social and Rehabilitation Services for the KanWork program. The 1995 Legislature approved a bill that allows for the privatization of those services. As a result of the loss of that contract, we will be laying off 28 of those KanWork employees. However, we have kept those employees on the payroll with Job Training Partnership Act money until February 5th, that is when all the other 37 layoffs become effective.

The funding for our Job Service program has been in a budget crisis for a long time now. As you can see by the chart we have given you today, the same chart on display beside me, the funding we have received from the federal government, in the form of the Wagner-Peyser Act, has remained virtually the same since 1981 although program and staff costs have continued to rise.

In the 1980's, inflation and the stagnant federal funding caused KDHR to use funds from other Employment and Training sources and shift costs of personnel around from program to program, and division to division, including Unemployment Insurance. Staff time was being charged to those programs, not the stagnant Wagner-Peyser fund. All of this shifting to those other funding sources was used to keep employees from being laid off.

Since 1985, the number of Job Service offices and our federal funding levels have stayed the same. However, our staff costs have gone up. The chart you have illustrates what a Job Service interviewer received in pay in 1981. As you can see, that same interviewer is making nearly double what he or she was making 15 years ago.

Now for our projected losses after July 1st of this year. In total, we expect to lose **$700,000** in our federal Wagner-Peyser funding. With that money, we project going from about **$7.3 million** to **$6.6 million** effective July 1, 1996. In our Job Training Partnership Act program we project that we will lose **$8 million**. In all, we're facing a loss of **$8.7 million** after July 1st of this year for our Employment and Training programs. Our funding sources are drying up.

As mentioned earlier in our Employment Security Division, we had expected to receive **$15.6 million** on October 1, 1995. We now know that we will receive only **$14.7 million** - a loss of nearly $1 million.

KDHR announced on January 3rd of this year that we are laying off 37 of our Wagner-Peyser funded staff- nearly a quarter of our entire field staff- which is causing us to close **eight** of our Job Service offices across Kansas. The staff reductions will be felt in all 31 of our Job Service offices. No particular area of the state was the hardest hit.

In October of last year, Employment and Training staff began creating the formula that would determine which offices could continue to support Wagner-Peyser job service programs. Several Guiding Principles were part of the process, however, before the formula was run on each of the 31 offices across the state. Those guiding principles being:

- There should be no more than one local office in a county.
- Sufficient Wagner-Peyser funding, according to the allocation formula, must be available to support 2 full-time professional level positions.
- The office should be staffed by at least one full-time para-professional position provided by any combination of funding sources.

Once those Guiding Principles were established, a formula was then applied to 29 Job Service offices simultaneously. That formula was made up of four key components. Those components were:

- The number of employers in each county was given 40% of the weight in the formula.
- The civilian labor force was given 20% of the weight in the formula.
- The projected population in the year 2000 was given 20% of the weight in the formula.
- And the economically disadvantaged population in the county was given 20% of the weight in the formula.

Once the Guiding Principles and formula were applied, it was determined that eight offices must close. Those offices are in Goodland, Junction City, McPherson, Olathe, Ottawa, Parsons, Wellington and the Pawnee Mall location in Wichita. The layoffs that led to the closing of these offices are being done in strict compliance with state civil service regulations.

In addition with the Employment and Training layoffs, we are laying off 15 of our intermittent Unemployment Insurance employees. That layoff equals one FTE position. Those intermittents have not worked in several months and weren't expected to work for several more months.

This brings us to the next important issue driving our budget crunch. The furloughs in Unemployment Insurance and Staff Services on January 2nd and 3rd were a result of the federal budget impasse in Washington which resulted in a lack of funding authority for the U.I. program. We were made aware of the potential federal government shutdown in September and as a result, created appropriate furlough plans that were approved by the Department of Administration's Division of Personnel Services.

On October 1, 1995 - the beginning of the federal fiscal year - the funding to administer the Unemployment Insurance program had not been appropriated by Congress. October 13th would have been the last working day for U.I. and Staff Services, and on October 16th the furlough would have officially begun. But Congress passed a Continuing Resolution that kept all federally-funded employees at work until November 17th.

The continuing budget battle caused a federal employee furlough on November 17th that could have affected our U.I. employees. On Monday, November 20th, we began using U.I. carryover funds. But Congress passed another Continuing Resolution that got us through until December 15th. That Continuing Resolution restored our carryover funds from Fiscal Year 1995.

When the federal government was furloughed again on December 15th, we operated from the 15th until January 2nd, equaling 12 payroll days, on internal carryover and Penalty and Interest funds.

Because there was no resolution to the budget crisis by January 2nd, employees were notified on Friday, December 29th that they would likely be furloughed the following Tuesday because there would not be money to meet payroll. If I would have not furloughed these 400 workers on January 2nd, I would have incurred a daily personal liability of $70,500.

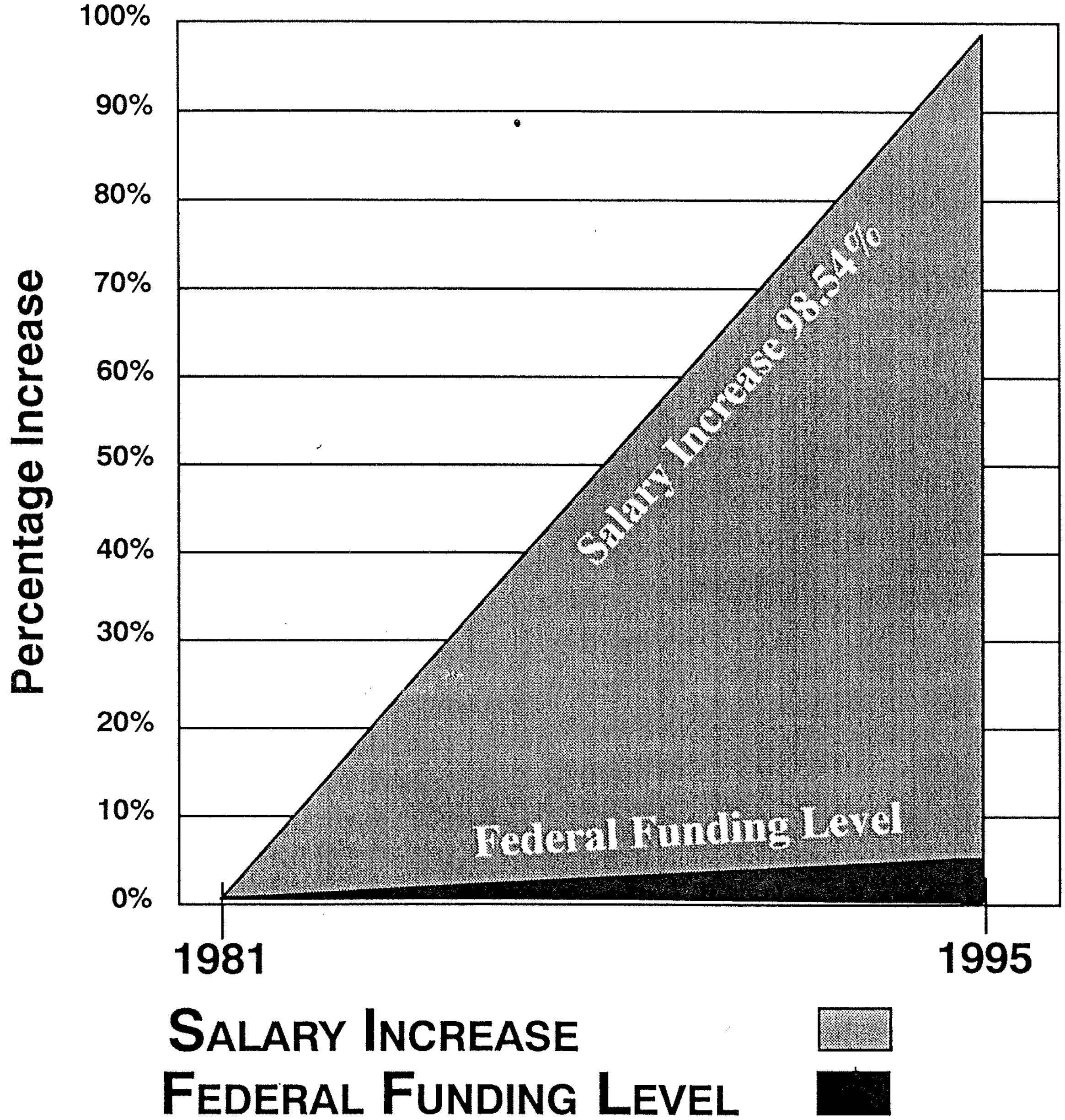
I have maintained contact with Governor Graves since September of last year about furloughs, layoffs, and office closings. We explored all options. However, this Governor does **not** micro-manage his agencies. He and I believed that cooler heads would prevail in Congress and that funding for Unemployment Insurance would be approved. When Congress failed to take action, it placed federally-funded, state employees into harm's way and it put vulnerable Kansas citizens at risk.

I met with the Governor on the evening of January 3rd when we put our heads together to come up with a solution to this funding crisis. We discovered that we could take $600,000 out of the state's Federal Cash Management Fund to fund U.I. operations for 10 days. But just as the Governor approved those funds, Congress approved another targeted resolution for Unemployment Insurance, keeping us in operation until September 30th of this year.

We fully expected Congress to deal with the problem. The state will not always be in a position to intervene in furloughs. Furloughs in KDHR and other agencies are likely to happen again. This is what smaller government means.

With me today are several of KDHR's top management team. We would be pleased to answer any of your questions.

JOB SERVICE FUNDING VS. STAFF SALARY
1981 - 1995



In 1981 an entry level Job Service interviewer was paid $956. Today this entry level position is paid $1898. With approximately the same level funding, this is an increase of 98.54% per position. This amount does *NOT* include the additional increased cost of employee benefits.

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