

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairperson Al Lane at 9:05 a.m. on January 22, 2002 in Room 521-S of the Capitol.

All members were present except: Rep. Broderick Henderson - excused  
Rep. Joe Humerickhouse - excused  
Rep. Rick Rehorn - excused  
Rep. Gwen Welshimer - excused

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

Conferees appearing before the committee: Phil Harness, KDHR  
Rick Beyer, Secretary, KDHR  
William Sanders, KDHR  
Bill Layes, KDHR

Others attending: see attached list

Chairman Lane announced that the committee has asked business and labor people in to brief the committee on what the current Kansas business/economic situation is in detail. Where are we going? What can the legislature do? Briefings will be held on January 24 and 29-31.

**Introduction of Bills**

Rep. Swenson requested that a committee bill be introduced that amends the employment security trust fund and benefits.

Rep. Grant made a motion to introduce the bill. It was seconded by Rep. Ruff. The motion passed.

Phil Harness, Director of the Division of Workers Compensation, Kansas Department of Human Resources (KDHR), requested that proposed legislation which has been recommended favorably to the Legislature by the Workers Compensation Advisory Council be introduced. These proposals include: 1) an amendment to K.S.A. 44-550b which would exclude social security numbers on records research requests; 2) an amendment to K.S.A. 44-508 (b) and 44-542a, which would designate members of limited liability companies the same as partners, and not covered by the Workers Compensation Act; 3) an amendment to K.S.A. 44-501b (I) which would strike the necessity of filing an annual surviving spouse report with the Division, but retaining the requirement that the statement would be required to be filed with the employer/insurance carrier, and clarifying the definition of "wholly dependent child"; and 4) an amendment to K.S.A. 44-557a allowing the Secretary of Revenue and the Director of Workers Compensation to exchange certain information to be used solely for the verification of workers compensation data files.

Rep. Grant made a motion to introduce the four proposals as committee bills. The motion was seconded by Rep. Ballou. The motion carried.

**Presentation by Kansas Department of Human Resources**

Rick Beyer, Secretary of the KDHR, told the committee that the softening economy is affecting unemployment claims. The department is struggling to meet the increased demand for filing claims.

William Sanders, Chief Information Officer and Director, Division of Employment Security, KDHR, explained the changes in submitting unemployment claims. Claims are now filed four ways: with a call to a Call Center, on the internet, by interactive voice response or mass layoff procedures and the process is

CONTINUATION SHEET

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE, January 22, 2002, at 9:05 a.m. in Room 521-S of the Capitol.

faster and more convenient. At this time they are being inundated with claims and people are having trouble getting into the system to file their claims. When the claim has been filed, 90% of those filing will have their first check in two weeks. Mr. Sanders concluded his testimony by answering questions from the committee. (Attachment 1)

Bill Layes, Chief of Labor Market Information Services, KDHR, presented testimony on Kansas Unemployment Rates and the status of the Unemployment Insurance Trust Fund. He reported that the Unemployment Insurance Trust Fund is solvent, with a total of \$458.6M. At some time it may be necessary to increase revenues to maintain the solvency. Mr. Layes ended his testimony by answering questions. (Attachment 2)

Chairman Lane adjourned the meeting at 10:30 a.m.

The next scheduled meeting is January 23, 2002.



**Testimony before the House Committee on Business, Commerce and Labor**

**January 22, 2002**

**by William N. Sanders  
Chief Information Officer and  
Director, Division of Employment Security  
Kansas Department of Human Resources**

Since 1996, the Kansas Unemployment Insurance program has undergone an overhaul of its service delivery model. Six short years ago, a claimant would have to travel to one of the seven local offices around the state to file an initial claim for unemployment insurance benefits. Because we had only seven offices, some claimants would have to travel for miles – 10, 20, 60 miles – to come to our offices. They would stand in line at our brick and mortar facilities waiting for us to serve them. In many instances, we shut the office doors at 4:30 p.m., requiring customers to return the next day in another attempt to obtain our services.

During the two years I have served as Employment Security Director, I have spoken with a wide variety of our customers. Many of these people have described the process of standing in line and waiting for our services as humiliating.

Not only was it humiliating for many of our customers, the process was inefficient. Once we took the claims, we would stack them in the corner before entering them into our mainframe computer for processing. Sometimes they would be stacked for days, if not weeks, waiting for a break in the workload so we could key the claims, process them, and then make initial payment.

But, the inefficiencies did not end there. Once the initial claim was processed and a claimant was cleared to receive benefits, we asked that they submit a weekly claim card and mail it to the office. Again, these would sit while we attempted to process them.

For those needing our services, this process was slow and inefficient.

In 1999, we began to change all that. Our Department moved its claims-taking operations to three call centers, closing all of our local claims offices. These call centers, located in Kansas City, Topeka and Wichita, served as the backbone of the initial claims process. Rather than drive miles and miles to stand in line at local offices, claimants could now reach us from the comfort of their homes simply by picking up the phone, making a local or toll-free long distance call and speaking to one of our customer service representatives.

**House Business, Commerce & Labor Committee  
1-22-2002  
Attachment 1**

This new process was faster and more convenient. For example, prior to taking claims in call centers, it took us an average of 47 minutes to process and pay a single claim. The call center implementation improved this performance, cutting the time by more than 50% to a low of 23 minutes. The improvement was due to the automated link between the call center technology and our mainframe computer. When claims were taken by the customer service representative, they were also entered in the mainframe computer. This shortened processing times, allowing claimants to be paid more quickly. In fact, we increased the percentage of claimants paid within two weeks from 82% to 93%. Even so, we had only one way for a customer to access our services – call our call centers.

Last winter, we found that the call centers on their own were inadequate to take the workload presented to them. As the economy began to slow, we saw a dramatic increase in workload. The three call centers, which were designed to take approximately 115,000 claims per year, processed 147,000 claims last year. This was up from 107,000 claims the previous year – a 40 % increase in workload. The corresponding budget increase was on 3.3% and was the first increase in four years.

The effect of the high workload on the call centers' ability to deliver quality customer service was devastating. Claimants received busy signals or spent a long time in queue waiting for someone to take their claims. While much more efficient than the in-person process, claimant frustration was high. This was especially true during December 2000 – just one year ago- when we went from taking an average of 2,500 claims per week to a total of 7,500 in one week – the single busiest week we had had in nearly 20 years.

For the past 15 weeks, we have been taking approximately 25% more claims than we took during the corresponding 15 weeks of one year ago. This means we are seeing a 25 % increase on top of last year's 40% increase. The net effect is that we expect to take approximately 180,000 initial claims this year, effectively double that of what we took two years ago. And yet, we continue to have no budget. We are operating on a continuing resolution that sets our budget at last year's level.

We have been given a planning target of \$17.2 million. This target is only a 5% increase on what is shaping up to be a 25% increase in workload. We have been diligent in our efforts to inform our congressional delegation of our plight and remind U.S. Department of Labor officials of the importance of a budget increase.

Despite our financial constraints, my managers and I began planning for increased claim loads and implementing projects and initiatives to improve our ability to take the volume of claims we are experiencing. This planning began 18 months ago while the economy was strong and we were all wondering how high the market might go. We laid out a plan to improve customer service, while doing so on our limited resources. In April, we began a project to take unemployment insurance initial claims on the Internet, allow claimants to file claims by call a call center but not talking to one of our claims specialists, and an initiative to take claims through mass layoff procedures that allow employers to file claims on behalf of their employees through electronic means.

Both Internet claims and mass layoff procedures have now been implemented and are beginning to show results. Since Internet claims went into production on November 19<sup>th</sup>, we have seen approximately 11% of our initial claims business come through the Internet. Additionally, we have taken approximately 25% of our claims through our mass layoff procedures. This means our call centers are handling only 64% of the claim load. This allows us to take approximately 50% more claims than we could have handled last year – as we now have four ways to take claims, rather than just one.

In order to further improve our business model, we have begun to market our new services. The soft marketing campaign began in December. As the marketing campaign moved into high gear, the percentage has increased to more than 20%. The marketing initiative includes billboards, television and brochures to ensure those who may need our services know how to access them.

The effect of these changes has been dramatic. In October, we further reduced claim processing time to a low of 21 minutes. November's processing time was 18 minutes, and December's time was 11 minutes. This is a 75% cut in claims processing time in only two years.

You may be wondering how we have been able to make these improvements while receiving such limited funds. Through a combination of one-time funds including Reed Act distributions and special U.S. Department of Labor grants, we have been able to undertake customer service delivery improvement projects without cutting into the money we need to hire and compensate highly trained and motivated staff.

We believe our initiatives are coming on line just in time. We believe they will prove successful over the long haul. For many who try to access the call centers on Mondays and Tuesdays, busy signals and long queue times will be the norm. However, as we continue with the efforts we have previously undertaken to level the workload throughout the week, and our new initiatives to level the workload through a variety of service delivery channels, we believe we will be able to process all the claims we receive and pay those who should receive benefits. If the workload remains extraordinarily high, the process will not be pretty, but I guarantee it will be effective.

## Highlights of President Bush's Economic Stimulus Package

- An accelerated \$4.3 billion Reed Act Distributions to state accounts in the Unemployment Insurance Trust Fund. Kansas would receive \$50-90 million of these distributions and could use these funds to provide unemployment insurance benefits, provide reemployment services to unemployed workers to speed their return to work, improve solvency of the Trust Fund and/or provide enhancements to the system that provides unemployment benefits and collect taxes.
- An emergency extension of Unemployment Insurance benefits for 13 weeks funded entirely by the federal government.
- At least \$3 billion in National Emergency Grants to states to serve dislocated workers. A portion of these funds could also be used at the Governor's discretion to subsidize health care premiums.
- A health insurance premium tax credit for those individuals who are eligible for unemployment benefits.

<b>Timeframe</b>	<b>Claims</b>	<b>Variance</b>	<b>Budget</b>	<b>Variance</b>	<b>FTE</b>	<b>Method</b>	<b>MPU</b>
10/99 - 9/00	107,000	N/A	\$15.8 million	N/A	90	Paper	47
10/00 - 9/01	150,000	+40.2%	\$16.3 million	+3.2%	90	Call Centers	23
10/01 - 9/02	180,000+	+25%	N/A (\$17.2 million) (projected)	N/A (+5.5%) (projected)	90	Call Centers Internet IVR Employer Filing	12



January 13 - 19, 2002

<u>Day</u>	<u>Internet</u>	<u>Mass Layoff</u>	<u>Quick</u>	<u>CSR</u>	<u>Total</u>
Monday	262	0	10	595	867
Tuesday	202	112	8	584	906
Wednesday	154	0	8	1,084	1,246
Thursday	128	12	16	517	673
Friday	154	0	40	534	728
<b>Weekly Totals</b>	<b>900 20.4%</b>	<b>124 2.8%</b>	<b>82 1.9%</b>	<b>3,314 74.9%</b>	<b>4,420</b>
<b>12/3 - Present</b>	<b>5,822 14.5%</b>	<b>10,662 26.5%</b>	<b>120 0.3%</b>	<b>23,605 58.7%</b>	<b>40,209</b>

**TESTIMONY**  
**HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE**  
**JANUARY 22, 2002**  
**9:00 am**

Good morning Mr. Chairman and members of the Committee. My name is William Layes. I am Chief of Labor Market Information Services, Kansas Department of Human Resources. I welcome the opportunity to appear before you today to present testimony on Kansas Unemployment Rates and the status of the Unemployment Insurance Trust Fund.

**Kansas Unemployment Rates**

The state's unemployment rate for the month of December 2001 was 3.7 percent. The comparable rate for November was 4.0 percent. The unemployment rate for December a year ago was 3.2 percent. The annual average unemployment rate for CY 2001 was 3.8 percent, up from 3.7 in CY 2000. Significant layoffs have occurred in the aircraft and related industries this past year. The full effect of these layoffs has yet to be felt with continuing layoffs expected. While layoffs have been substantial and have affected thousands of workers, the state's economy remains strong.

	<u>Months</u>			<u>Annual Averages</u>	
	<u>Dec '01</u>	<u>Nov '01</u>	<u>Dec '00</u>	<u>CY 2001</u>	<u>CY 2000</u>
Civilian Labor Force	1,435,871	1,446,469	1,445,278	1,444,000	1,411,000
Employment	1,382,246	1,388,206	1,398,954	1,389,000	1,359,000
Unemployment	53,625	58,263	46,234	55,000	52,000
Unemployment Rate	3.7	4.0	3.2	3.8	3.7

**Unemployment Insurance Trust Fund**

Today I can report that the Unemployment Insurance Trust Fund is solvent. For the week ending January 12, 2002, monetary reserves in the fund totaled \$458.6M. Though reserves meet current demands, the balance in the Kansas UI fund has fallen from \$723.8M at the start of the moratorium. The moratorium was in effect from 1995-99. At some point it will become necessary to increase revenues to maintain solvency. On average, payroll taxes will increase marginally in CY 2003. However, this incremental increase will be insufficient to meet long-term financial obligations.

I thank you for the opportunity to appear before the Committee today and will be happy to respond to any questions or comments you may have.

William H. Layes, Chief  
Kansas Department of Human Resources  
Labor Market Information Services  
401 S.W. Topeka Blvd.  
Topeka, KS 66603-3182  
296-5058 office  
296-5286 fax  
[wlayes@hr.state.ks.us](mailto:wlayes@hr.state.ks.us)

**Report to House Business, Commerce and Labor Committee**  
**January 22, 2002**  
**9:00 am**

The following illustrates our response to the questions raised by committee members.

- Items related to the current condition of the Kansas economy  
A table related to employment and graphic related to unemployment.
- Items related to Unemployment Insurance Trust Fund adequacy
  1. Graphic of Maximum and Average Weekly Benefit Amount, 2001.
  2. Certification of Trust Fund adequacy as of January 15, 2002. Please see attached graphs:
    - Graph 1 illustrates actual Trust Fund balances from 1996 through 2001 and estimated balances through 2004.
    - Graph 2 reflects estimated High Cost Multiples from Mid-Year 2001 through 2004.
    - Graph 3 portrays estimated Reserve Fund Ratios from Mid-Year 2001 through 2004.
    - Graph 4 represents estimated Tax Revenues from 2002 through 2004.
    - Graph 5 depicts estimated end-of-year Trust Fund balances from 2002 through 2004.

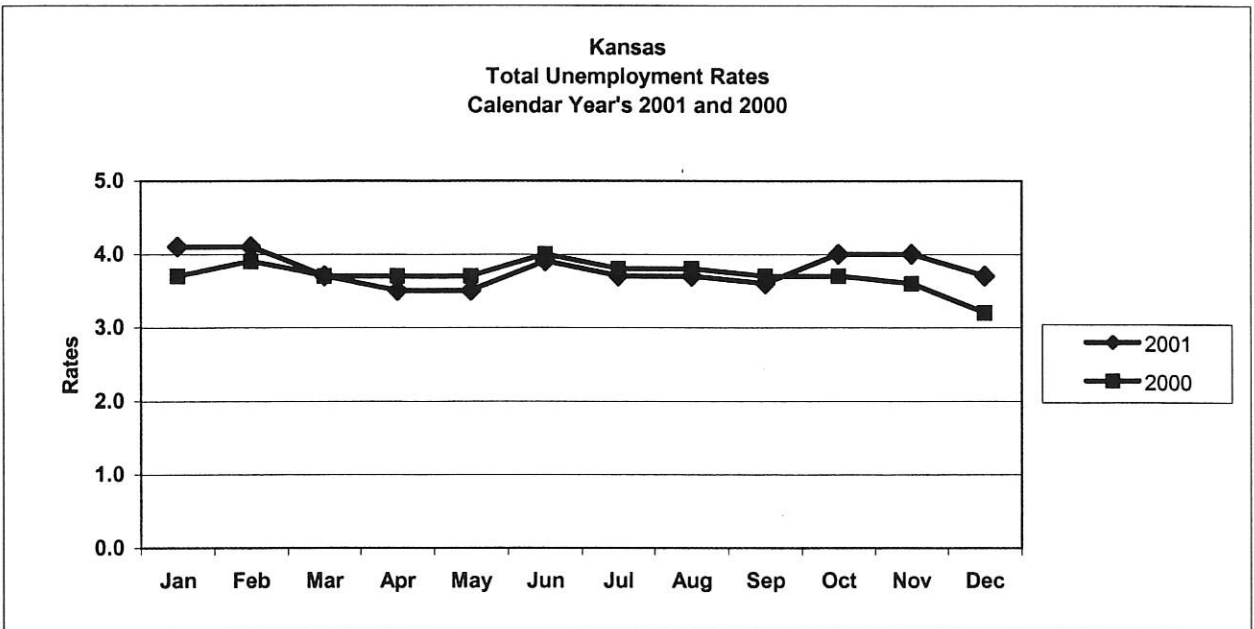
Calendar year 2002 is the last year of the phase-in following the moratorium. Collections during the phase-in have averaged a yield of 0.03 percent. Beginning in 2003 average yield will be 0.04 percent from all employers.

3. The graph titled "Contributions and Benefits as a Percent of Total Wages" illustrates the average cost of the program from 1970 through 2001. While collections currently represent 0.03 percent of total wages, at some point in the future, this will need to be adjusted to meet the demand on the trust fund.

**Kansas**  
**Labor Force Data**  
**By Months and Annual Averages**  
**Calendar Year's 2001 and 2000**

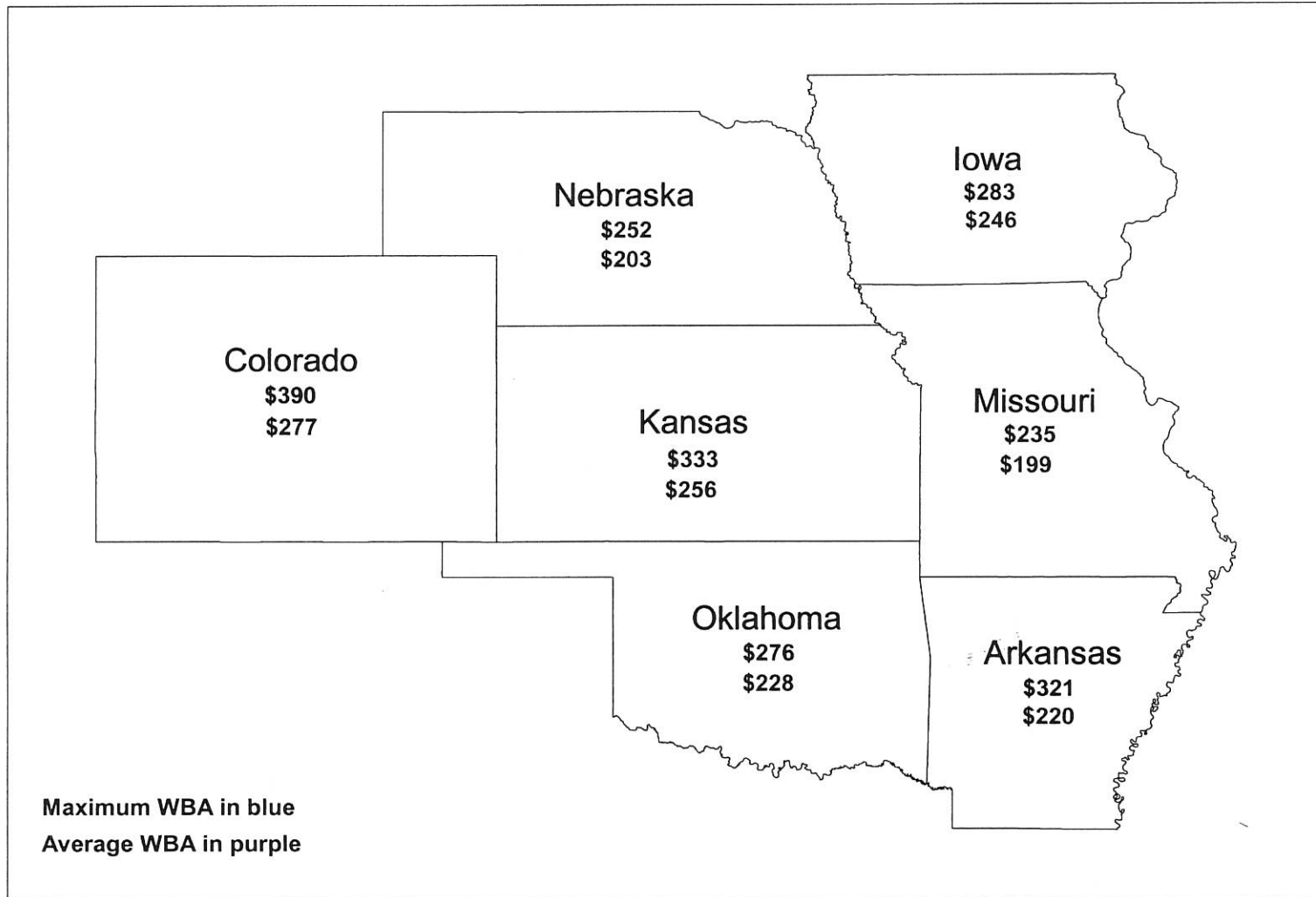
**Table 1**

	<u><b>Months</b></u>			<u><b>Annual Averages</b></u>	
	<u><b>Dec '01</b></u>	<u><b>Nov '01</b></u>	<u><b>Dec '00</b></u>	<u><b>CY 2001</b></u>	<u><b>CY 2000</b></u>
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Employment	1,382,246	1,388,206	1,398,954	1,389,000	1,359,000
Unemployment	53,625	58,263	46,234	55,000	52,000
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# Maximum and Average Weekly Benefit Amount (WBA) for Selected States 2001 Current

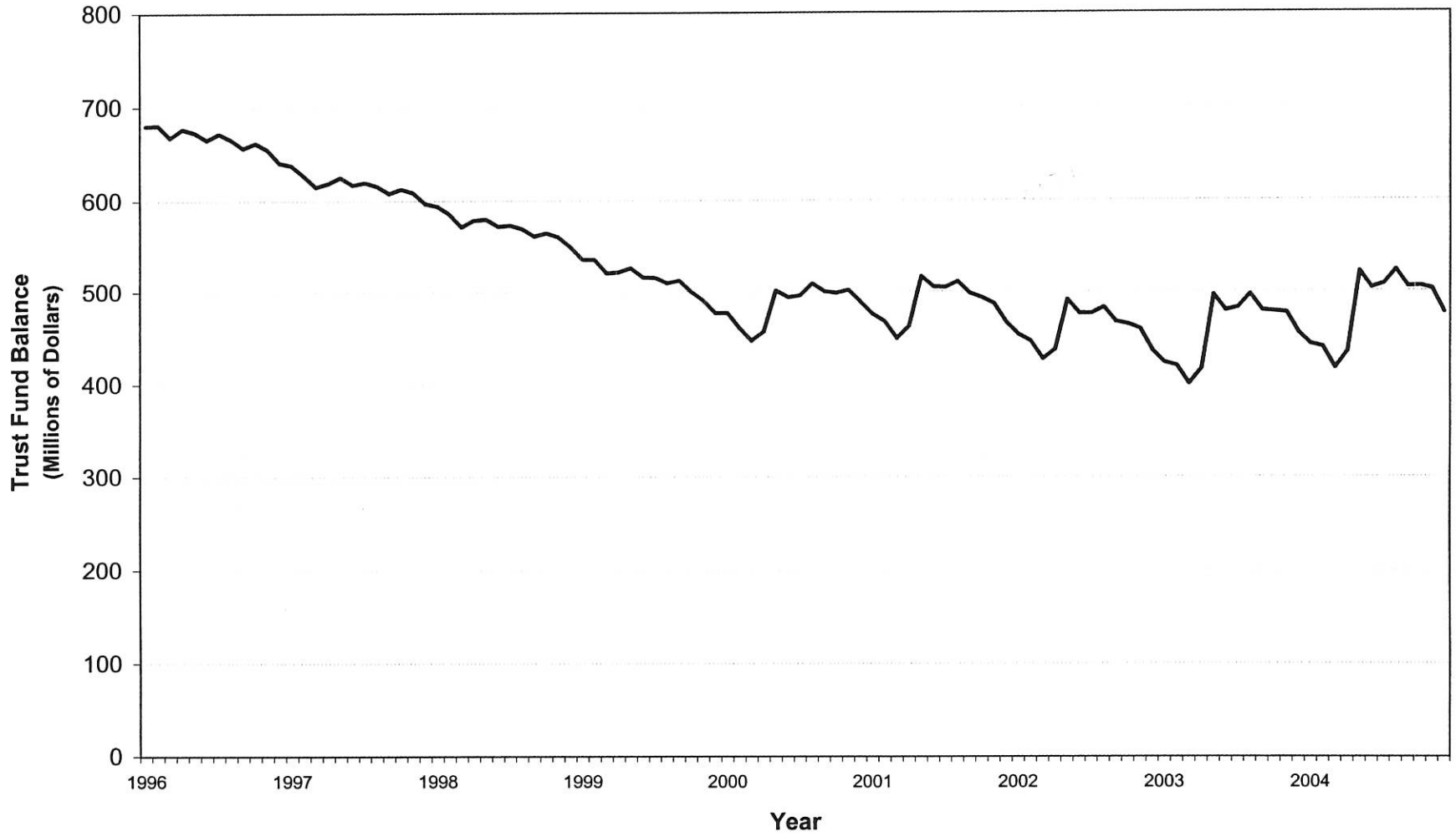


Source: *UI Interstate Handbook; UI Data Summary*

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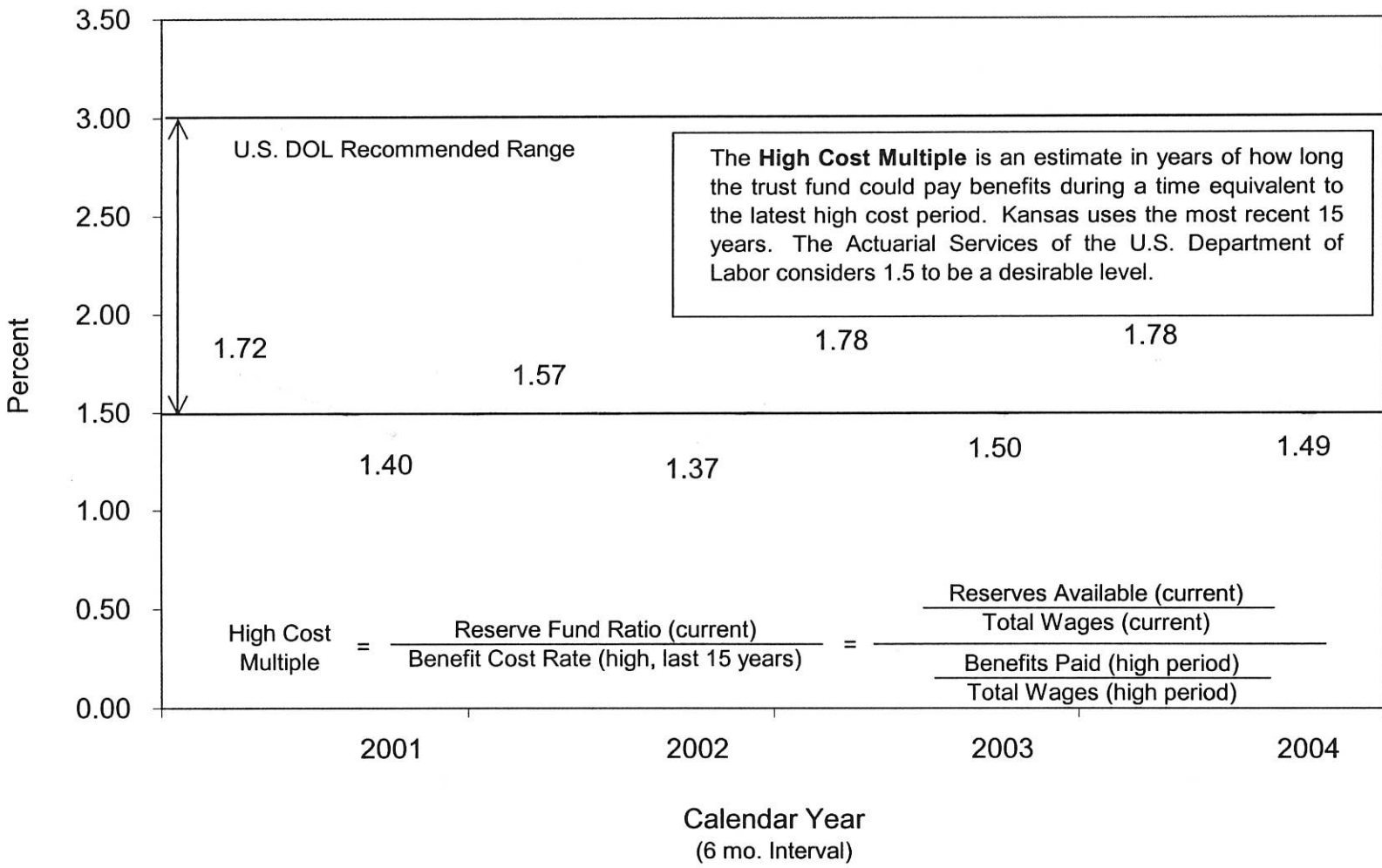
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**Graph 1**  
**Trust Fund Balance by Month**  
**Actual 1996 - 2001**  
**Projected 2002 - 2004**



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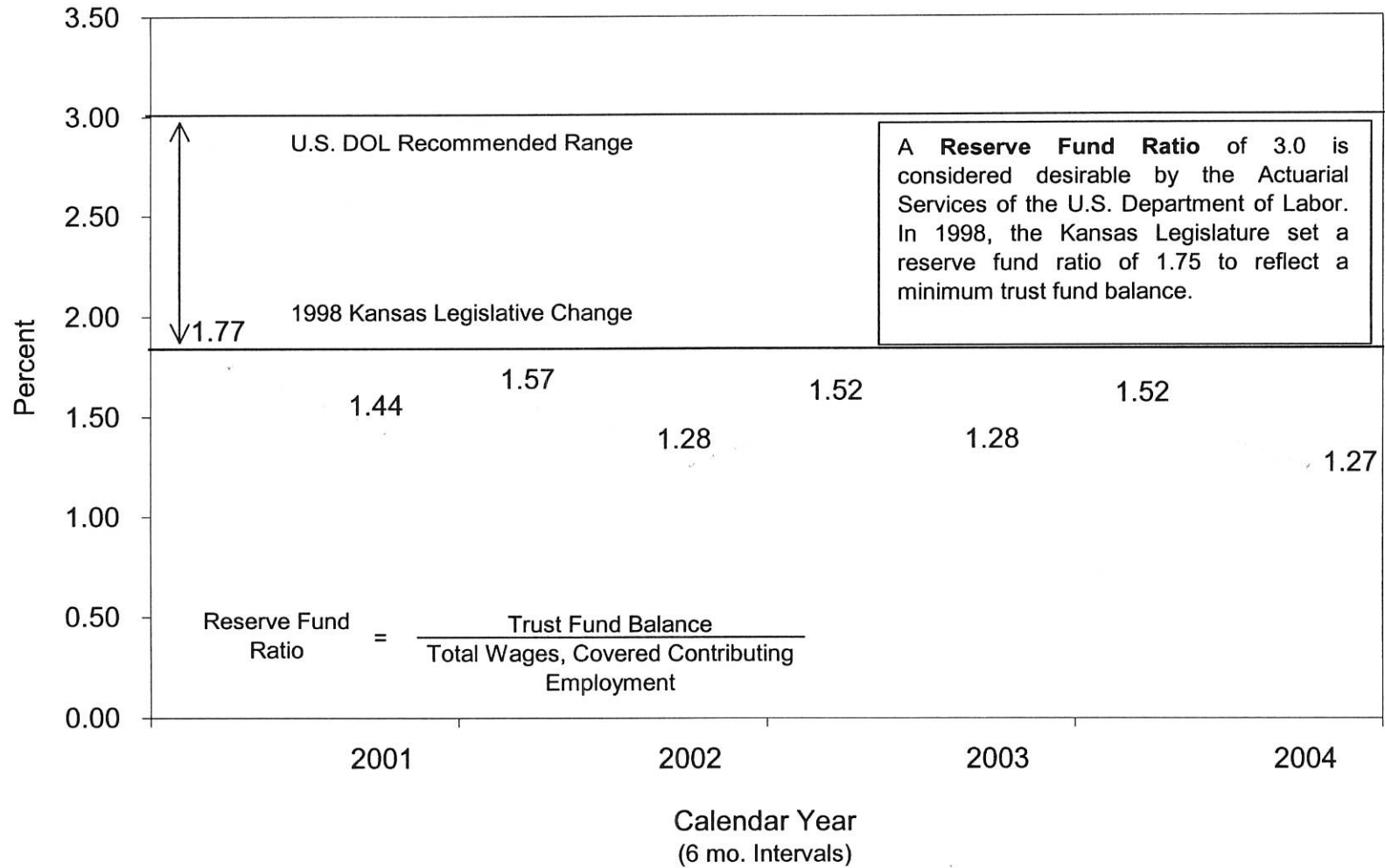
**Graph 2**  
**Estimated High Cost Multiples Under Current Law**  
**Mid-Year 2001 - EOY 2004**



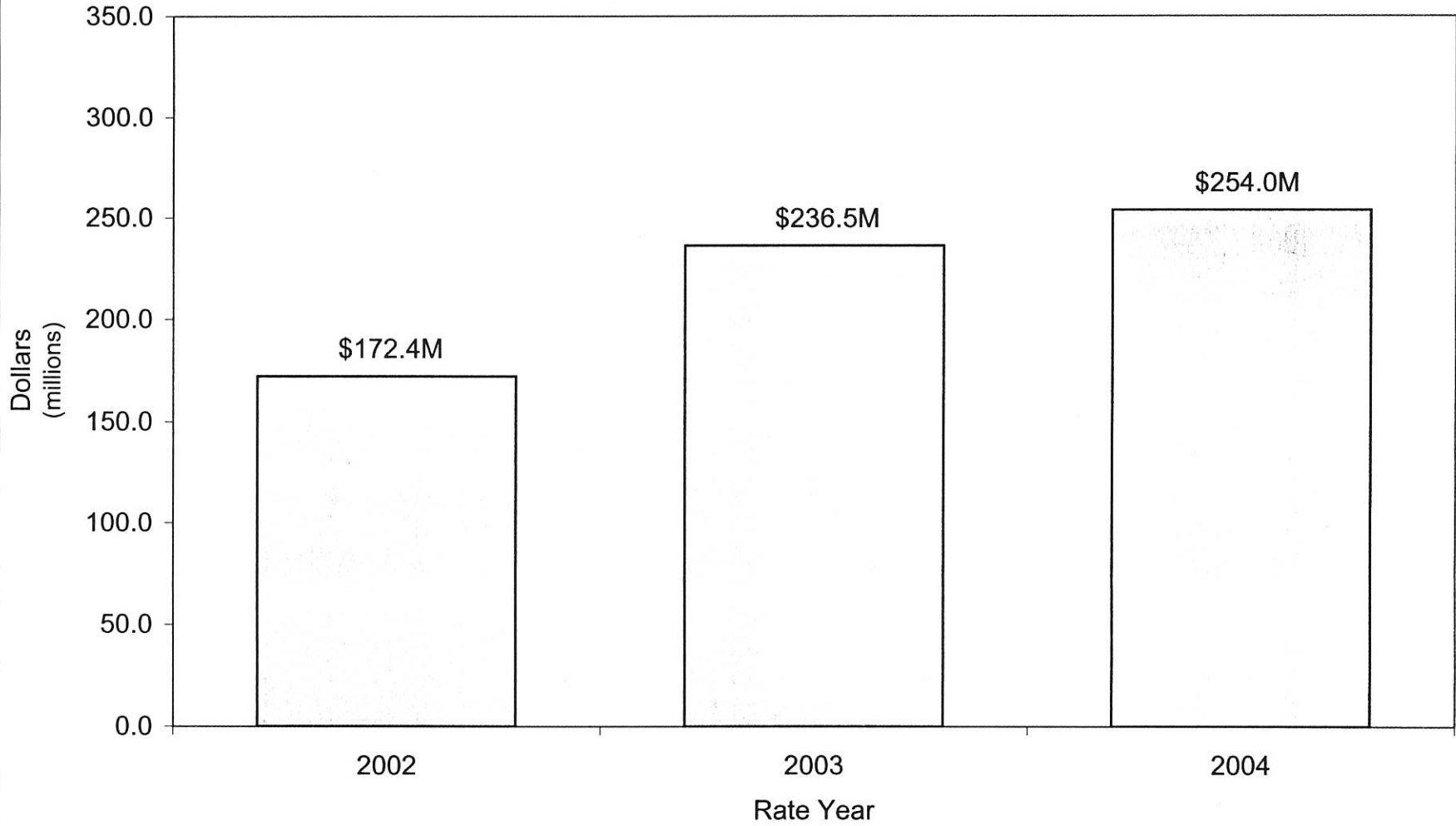
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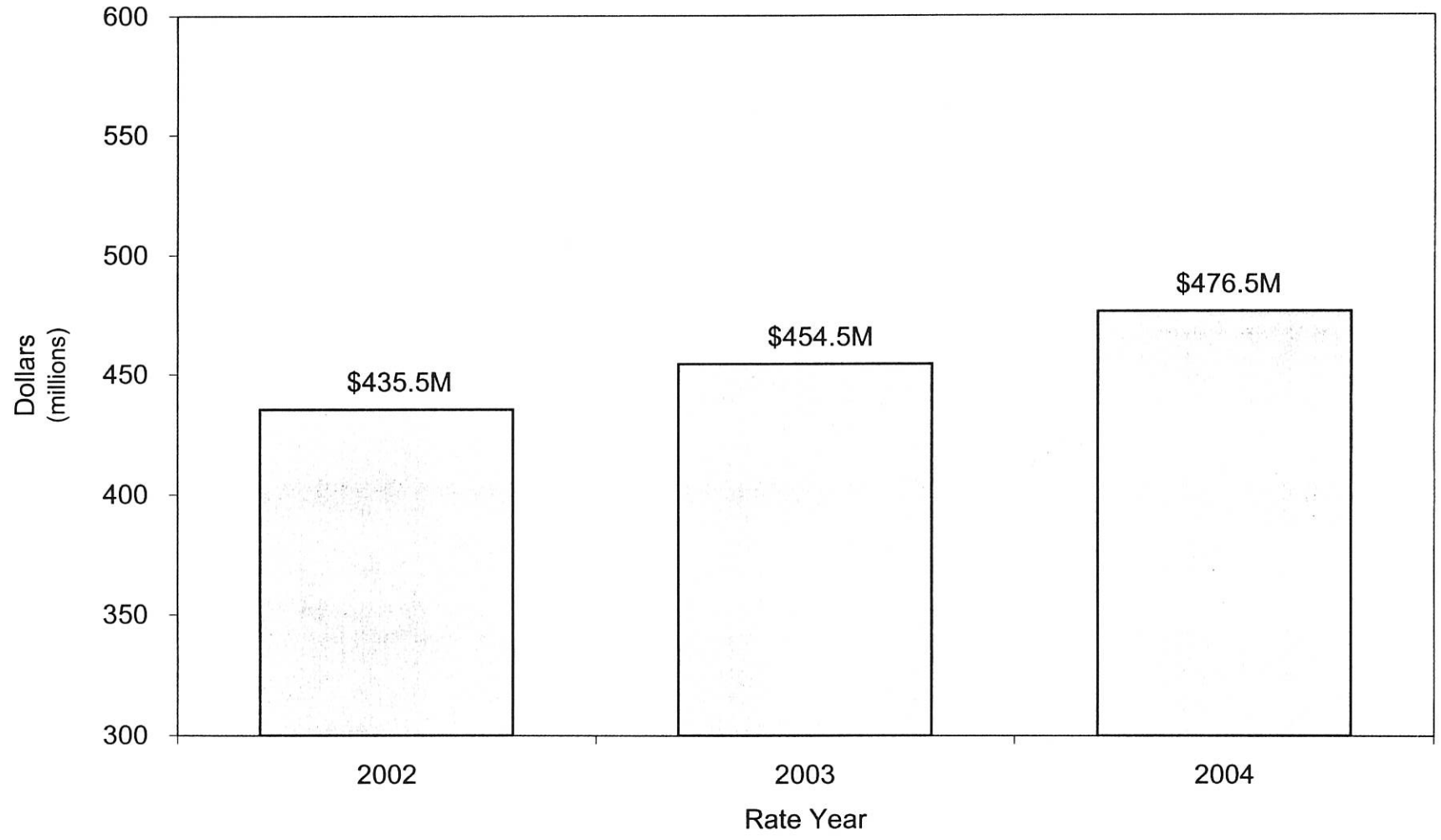
**Graph 3**  
**Estimated Reserve Fund Ratios Under Current Law**  
**Mid-Year 2001 - EOY 2004**



**Graph 4**  
**Estimated Tax Revenues**  
**CY 2002 - 2004**



**Graph 5**  
**Estimated End-of-Year Trust Fund Balances**  
**CY 2002 - 2004**



Contributions and Benefits  
As A Percent Of Total Wages  
Actual 1970 - 2000, Estimated 2001

