

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on January 30, 2003, in Room 514-S of the Capitol.

All members were present:

Committee staff present:

J. G. Scott, Legislative Research Department
Becky Krahl, Legislative Research Department
Amy Deckard, Legislative Research Department
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Sue Fowler, Committee Secretary

Conferees appearing before the committee:

Chief Justice Kay McFarland, Kansas Supreme Court, Judicial Branch
Jerry Sloan, Fiscal Officer, Kansas Supreme Court, Judicial Branch
Jim Garner, Acting Secretary, Department of Human Resources

Others attending: See Attached

Chief Justice Kay McFarland, Kansas Supreme Court, presented an overview of the Judicial Branch (Attachment 1). She expressed her pleasure with the Governor for reviewing their budget and making no recommendation and forwarding it to the Legislature for their perusal. She reiterated the stringent approach her budget division uses when developing the Judicial Branch budget. The Court of Appeals judgeship will be delayed at this time due to budget constrictions. The Senior Judge Program which allows retired judges to preside over the Court of Appeals for 25 percent of the normal pay rate has temporarily alleviated the need for this position at this time. Jerry Sloan, Fiscal officer for the Kansas Supreme Court, Judicial Branch, reviewed the details and responded to budgetary questions by the Committee.

Jim Garner, Acting Secretary, Kansas Department of Human Resources presented a brief general overview of the Department of Human Resources (Attachment 2). The Kansas Department of Human Resources has a staff of 940 FTE's with physical locations in 26 cities throughout the state. Major programs, or departments, with KDHR include Unemployment Insurance, Employment and Training, Workers Compensation, Labor Market Information Services and Support Services. This agency provides a wide variety of services to Kansas citizens and the 68,000 Kansas employers in our state. Mr. Garner reviewed the permissible uses of the Reed Act distribution, which is controlled by Congress (Attachment 3). The Committee requested unemployment rates by county for the past six years.

The meeting was adjourned at 10:35 a.m. The next meeting is scheduled for January 31, 2003.



Melvin Neufeld, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: *January 30, 2003*

NAME	REPRESENTING
<i>Jerry Sloan</i>	<i>Judicial Branch</i>
<i>Kim Fuller</i>	<i>Judicial Branch</i>
<i>Mike Kuffles</i>	<i>Ks. Governmental Consulting</i>
<i>Amy Bertrand</i>	<i>Judicial Branch</i>
<i>Vicki Lynn Hessel</i>	<i>Budget</i>
<i>Teresa Schwab</i>	<i>KCSL</i>
<i>Howard Schwartz</i>	<i>Judicial</i>
<i>Kyle Kessler</i>	<i>DOB</i>
<i>Kevin Brown</i>	<i>Men Law firm</i>
<i>Michelle Motter</i>	<i>intern-Rep Snriver</i>
<i>Lucas Bell</i>	<i>Rep. Newfeld's office</i>
<i>Mike Ohrst</i>	<i>Pinegar Smith + Assoc.</i>
<i>Ramona Daerkser</i>	<i>KCSL</i>
JARED CHECK	INTERN- Rep. HENRY
<i>Rusty C. Hegan</i>	<i>Sen. Hensley</i>
<i>Orin W. G. W. W.</i>	<i>KDHR</i>
<i>Scott Rothschild</i>	<i>Larrene Journal-World</i>
<i>Bill Schep</i>	<i>KDHR</i>
<i>Gerald Schmitz</i>	<i>KDHR</i>



State of Kansas Supreme Court

Budget Overview

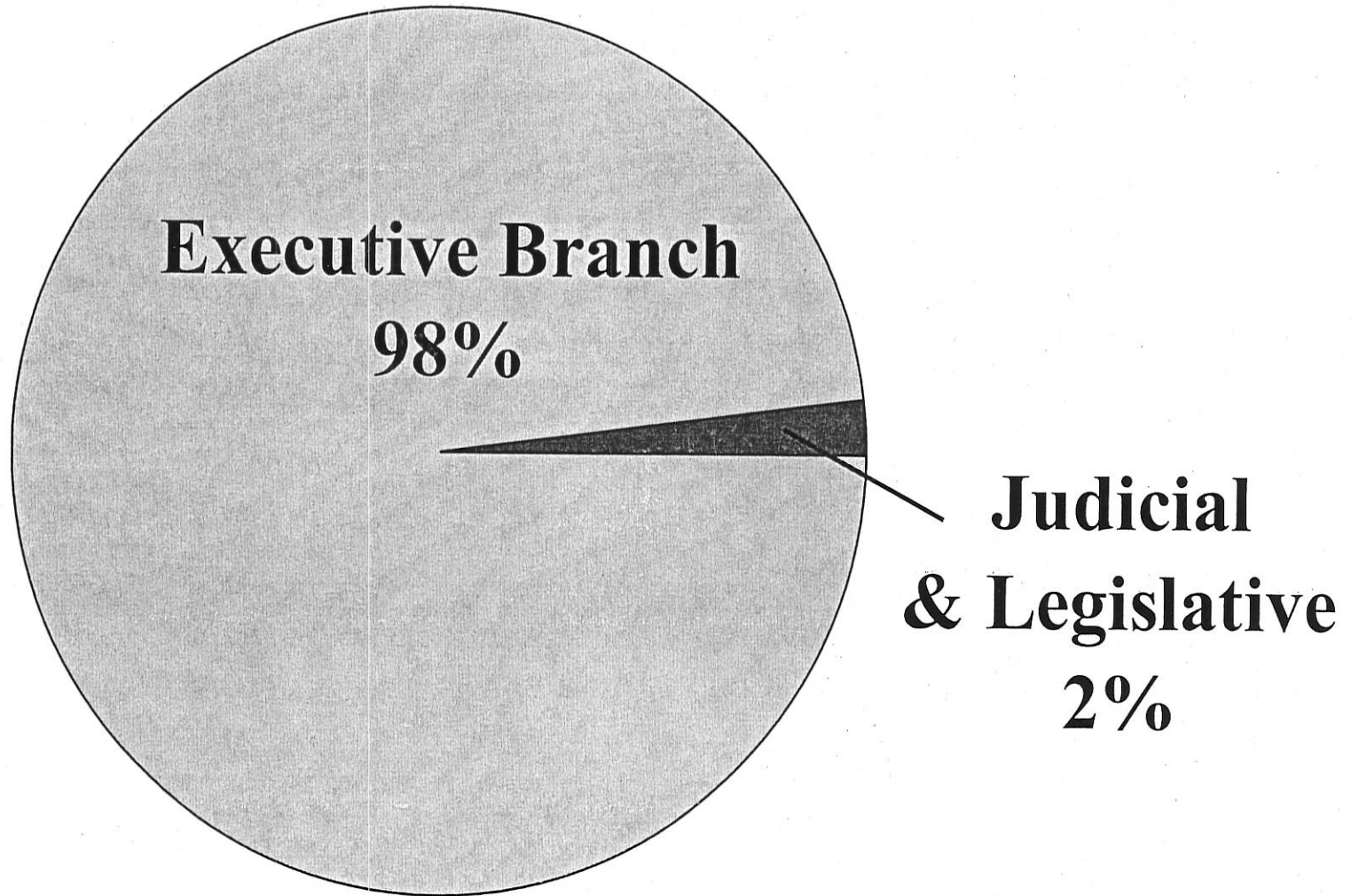
HOUSE APPROPRIATIONS

DATE 1-30-03

ATTACHMENT 1

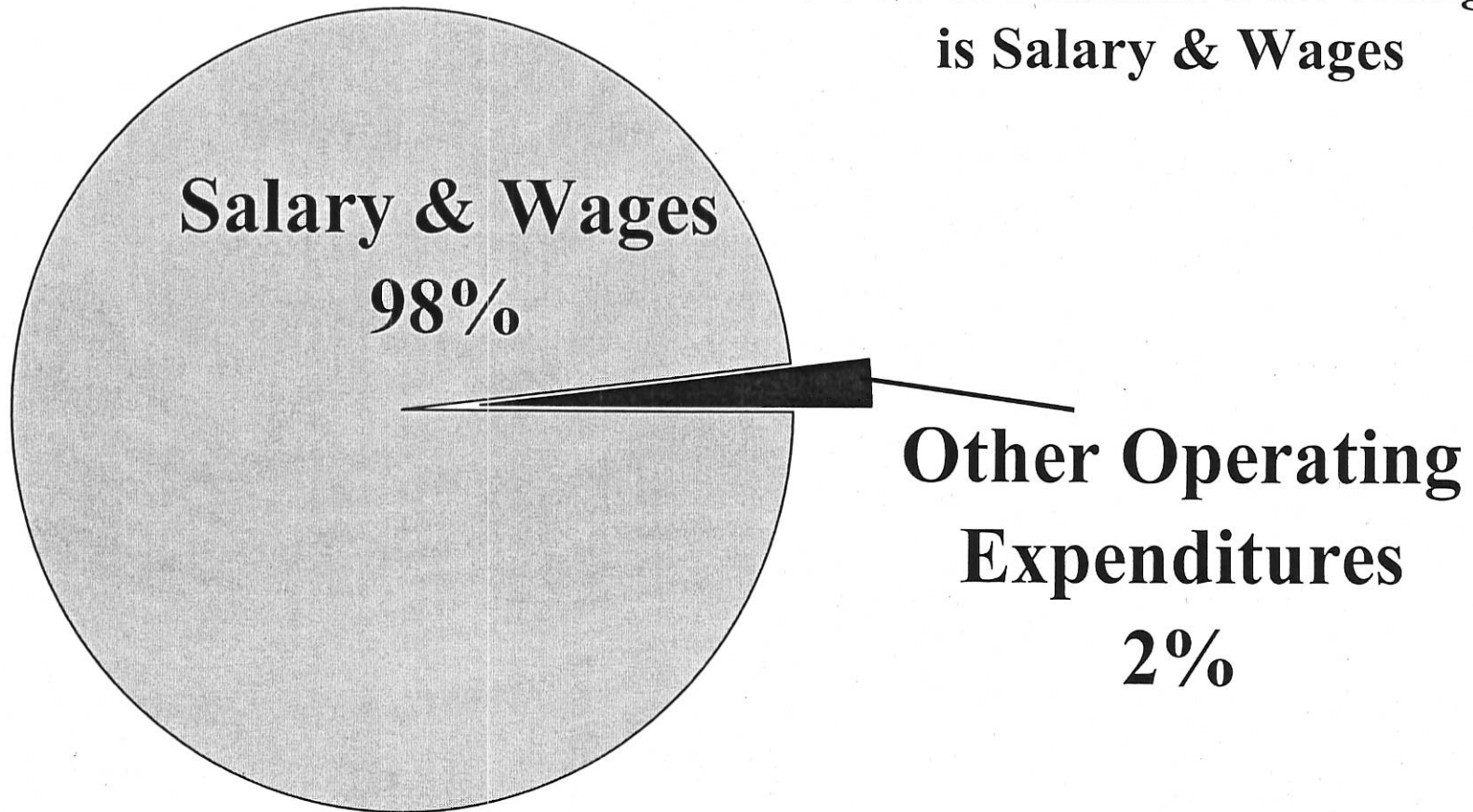
SGF Budget

1-2



FY2004 Judicial Budget

**98% of Judicial SGF Budget
is Salary & Wages**



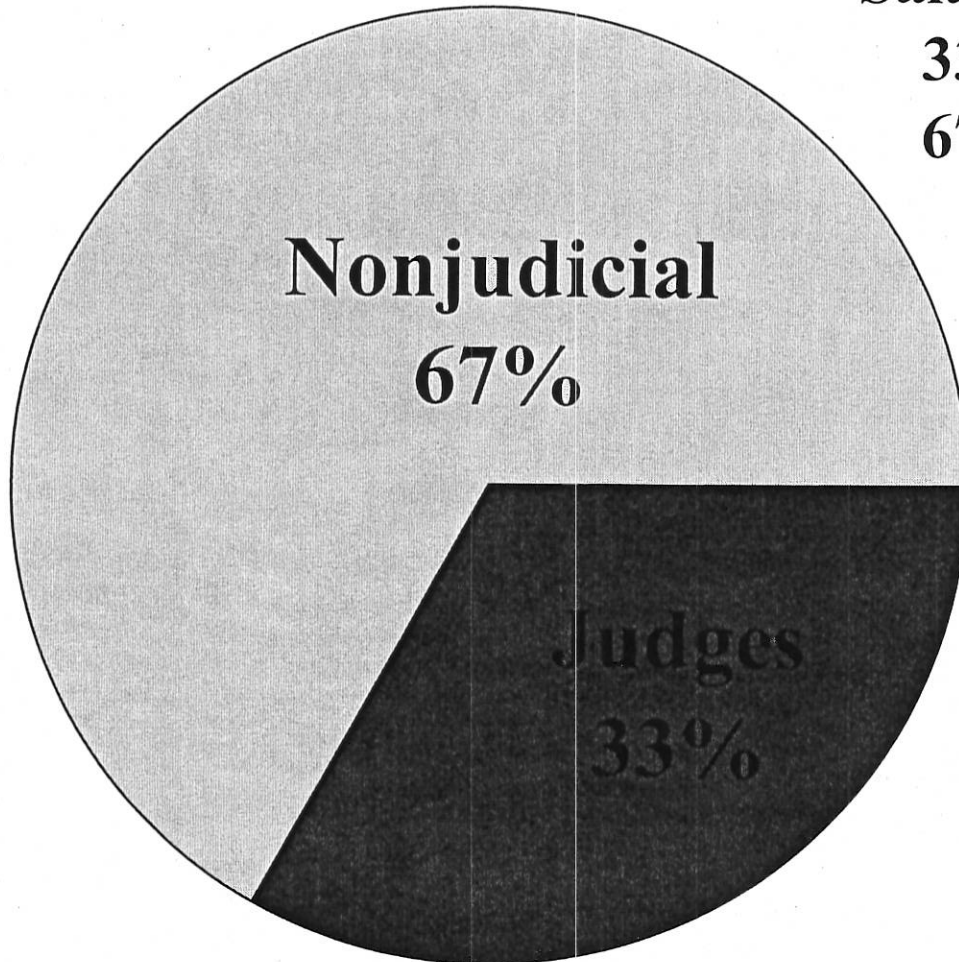
FY2004 Judicial Budget

Salary & Wages

Salary & Wages broken down

33% Judges

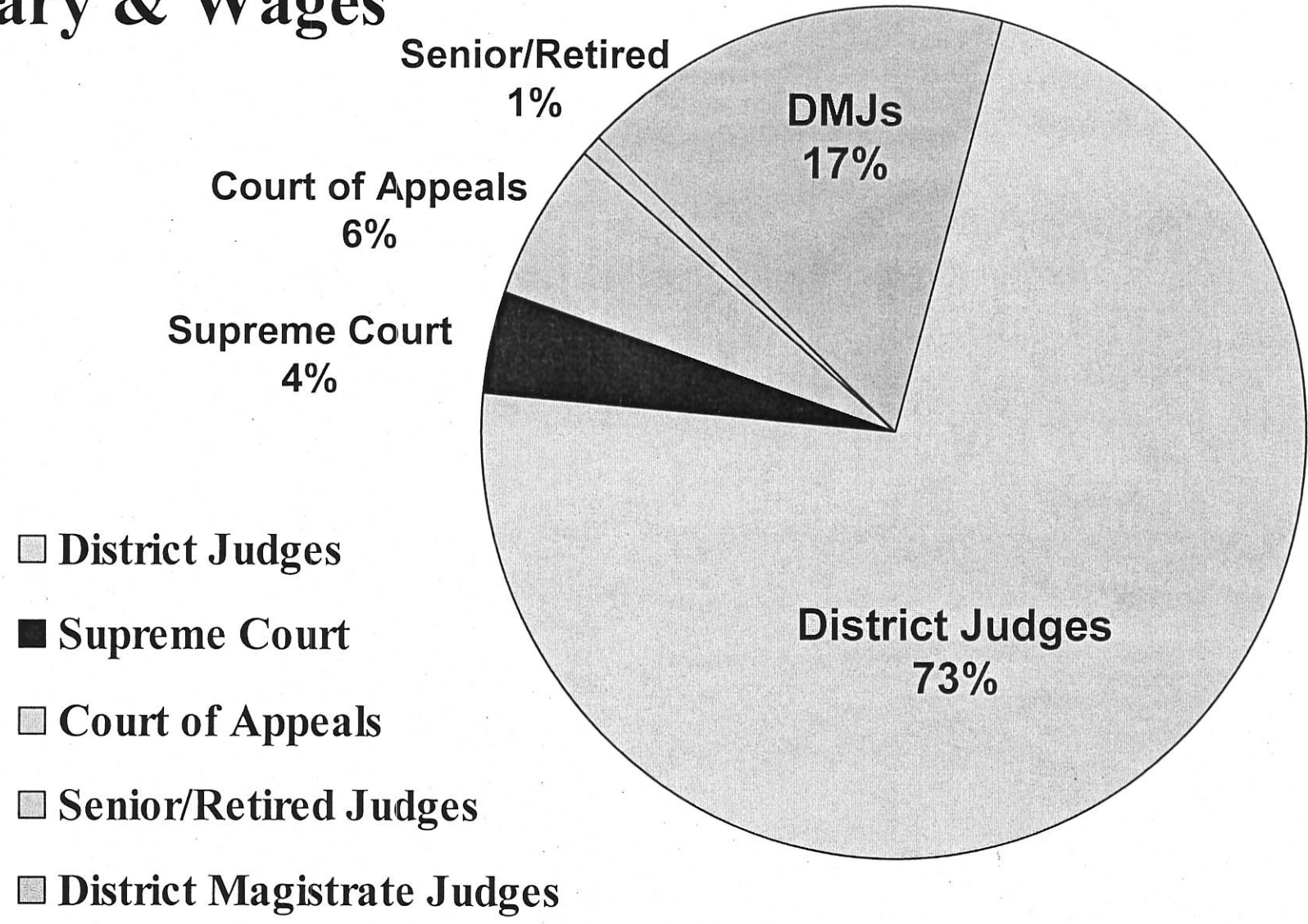
67% Nonjudicial



■ Judges □ Nonjudicial

FY2004 Judicial Budget

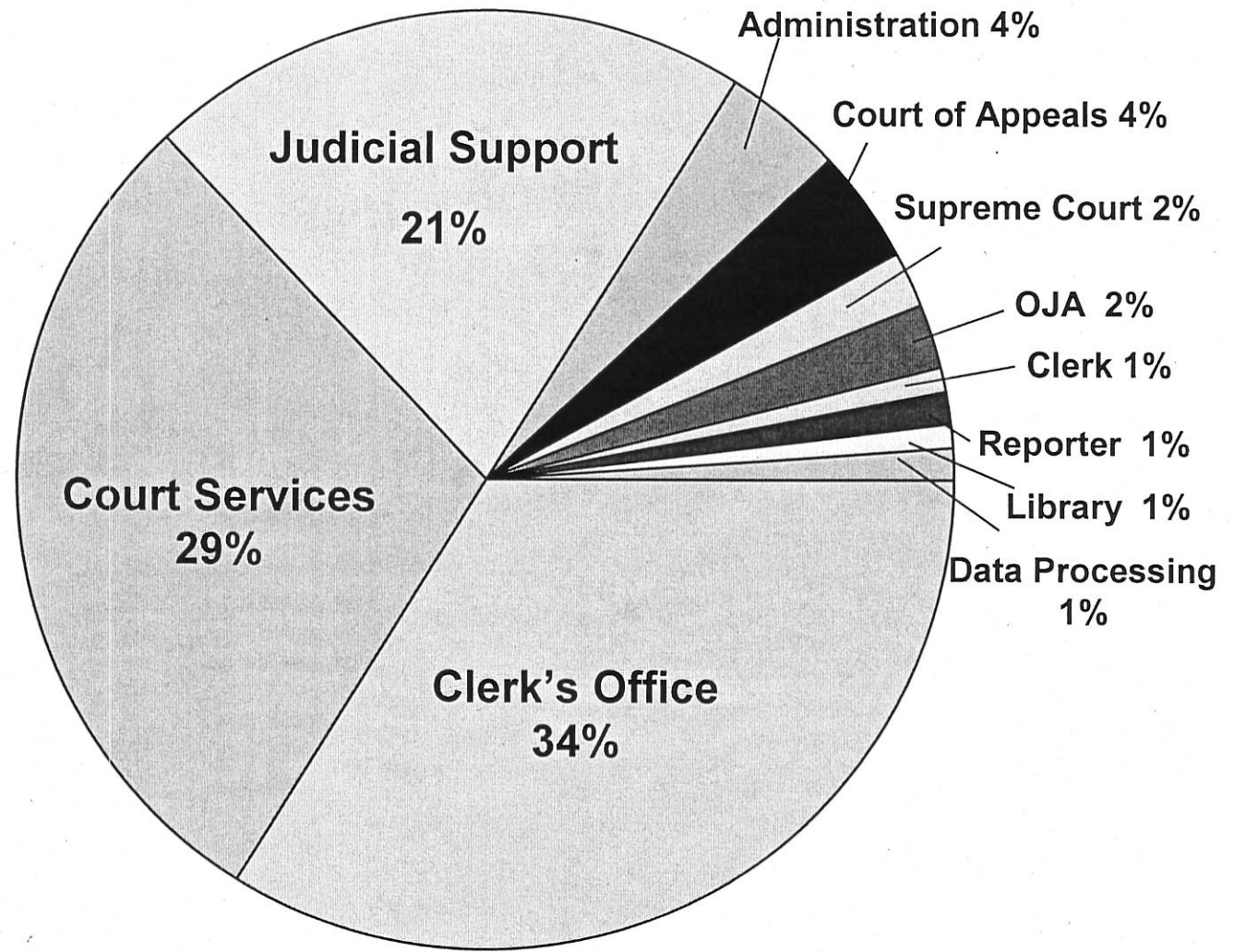
Salary & Wages



FY2004 Judicial Budget

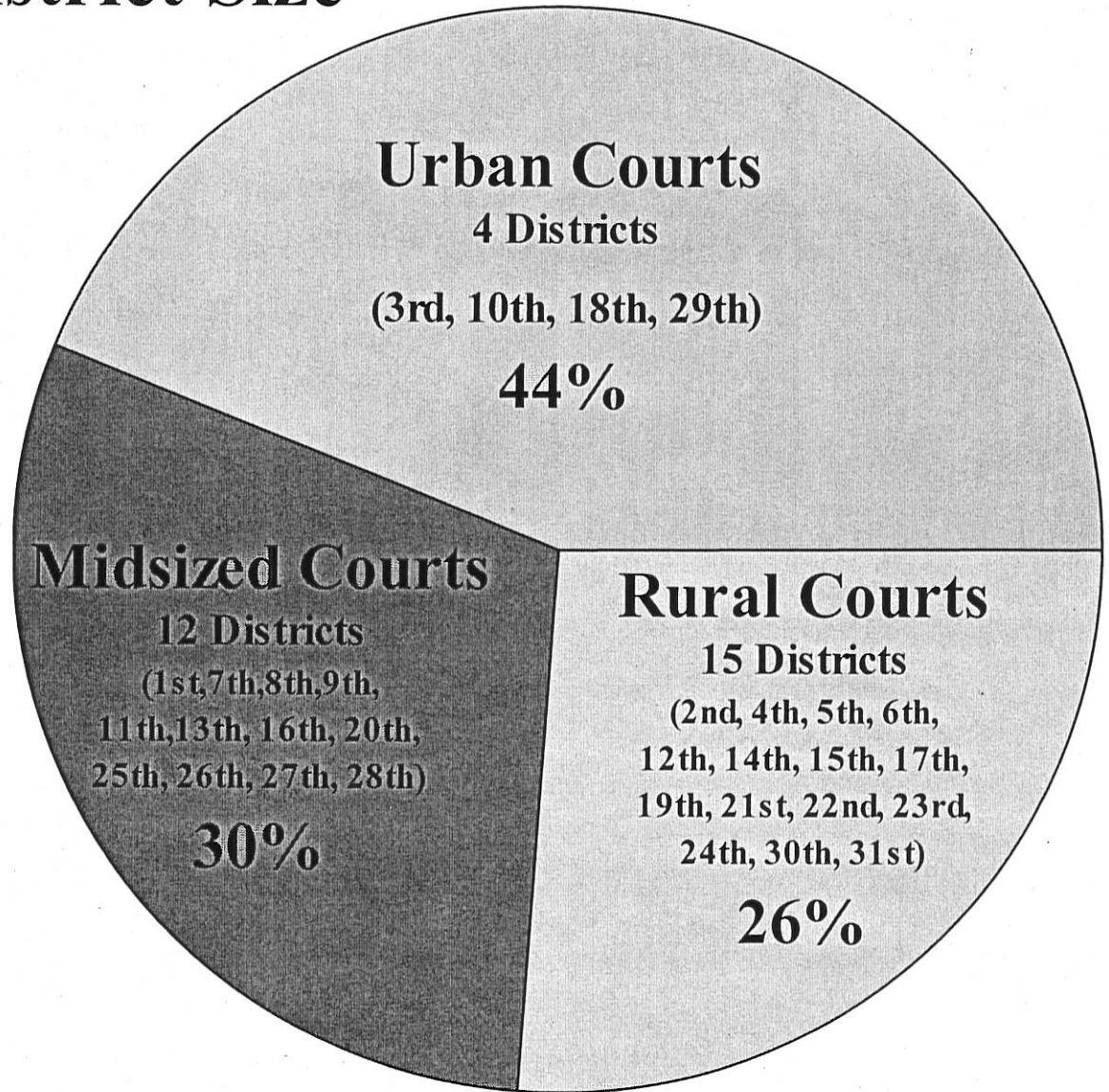
SGF Budget – Nonjudicial Personnel

- Clerk's Office
- Court Services
- Judicial Support
- Administrative
- Court of Appeals
- Supreme Court
- OJA
- Appellate Clerk
- Reporter's Office
- Law Library
- Data Processing



FY2004 District Court Budget Allocation by District Size

- Rural Courts
- Midsized Courts
- Urban Courts



Judicial Branch Budget Capsule

80,965,866 SGF FY 2003

3,317,028 Surcharge Implemented Due to Underfunding of Maintenance Budget

84,282,894 Adjusted FY 2003 Base

FY 2004 Mandated Cost Increases

1,001,744 Judges Retirement

263,927 KPERS

833,815 Group Health Insurance

24,784 Unemployment Compensation Insurance

58,165 Worker's Compensation Insurance

2,182,435 Mandated Increase in Fringe Benefit Costs

391,557 Mandated Court of Appeals Expansion

FY 2004 Gubernatorial Recommendations

1,194,662 1.5% COLA

(378,000) Moratorium on Death & Disability

87,673,548 SGF FY 2004

Testimony Before the House Appropriations Committee
by Acting Secretary Jim Garner
Kansas Department of Human Resources
January 30, 2003

Good morning, Chairman Neufeld, and members of the Committee. Thank you for this opportunity to appear before you today and present information about the Kansas Department of Human Resources (KDHR).

The Kansas Department of Human Resources is an agency with an authorized FTE (full-time employees) staff of 940 and with physical locations in 26 cities throughout our state. Major programs, or departments, within KDHR include Unemployment Insurance, Employment and Training, Workers Compensation, Labor Market Information Services and Support Services. Our agency provides a wide variety of services to Kansas citizens and the 68,000 Kansas employers in our state.

The **Division of Unemployment Insurance** (UI) consists of programs that provide benefits to Kansans unemployed through no fault of their own.

- The **Benefits** section takes claims by telephone through three Call Centers, on the Internet, and through electronic mass filings by employers. During CY2002, we paid benefits of approximately \$359.8M to unemployed Kansans. For week ending January 11, 2003, Kansas sustained its highest payout of benefit claims, paying \$9,500,764 to 42,502 claimants. At present, the maximum weekly benefit amount is \$345 and the minimum is \$86. Ms. Marge Baker manages the Benefits department.
- Our **Contributions** section administers the unemployment insurance payroll tax for our 68,000 Kansas employers. Taxes for unemployment insurance are levied on the first \$8,000 of wages for each employee in our state. Tax rates range from a minimum of .05 percent to a maximum of 4.27 percent for most employers, but the rate can reach as high as 7.4 percent for those charged with more benefits than paid in taxes, i.e., negative balance employers. Tax rates are based on an employer's experience rating. Mr. Paul Bicknell manages this department.

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- The **UI Appeals** section is where a claimant may appeal a decision of the UI Examiner regarding their unemployment claim. Steve Markley manages this unit. Given the high unemployment rate recently, the numbers of appeals have increased as well. There is a backlog on processing these appeals. Tom Henderson of our staff oversees this unit of referees. A second level of appeal is to the KDHR Board of Review.

The **Division of Employment and Training** is primarily engaged in finding work for Kansas citizens. We offer a network of 26 local Job Service offices in various communities throughout the state. Most of these offices are now co-located with Workforce Investment Act (WIA) and other training services in One-Stop facilities called Workforce Development Centers. Five Local Workforce Investment Boards determine how WIA services are provided in Kansas. In Southeast Kansas and in the Kansas City area, KDHR administers Adult, Youth, and Dislocated Worker assessment, training, and job search services for each Board. Heartland Works administers those programs in Northeast Kansas, and WESTCO administers WIA services in the Western half of the state. Adult and Youth programs in the six counties in the Wichita area are administered by the City of Wichita, while KDHR administers the Dislocated Worker program there. (Attached is a map showing the service regions.)

In addition to those workforce development services administered through “brick and mortar” facilities, KDHR has an Internet site known as Kansas Job Link. Kansas Job Link allows employers the ability to post available jobs and job seekers Internet access to those openings. Job seekers may also post complete resumes for consideration by employers. Currently, more than 4,000 job orders are listed on the site. More than 60,000 job orders and over 56,000 resumes have been posted in the first two years of the web site’s existence. The Division also administers Trade Act Assistance, Older Workers, Apprenticeship, Work Opportunity Tax Credit, and Foreign Labor Certification programs among its other responsibilities. Mr. Steve Jack administers our Employment & Training Division.

America’s Job Link Alliance is a unique part of our agency. This group of staff provides development and maintenance support of national data systems for state workforce agencies and their one-stop partners. Currently, 25 states use their services to economize software development and maintenance costs. Mr. Marc Lowe manages this group.

Fee Programs - The Kansas Department of Human Resources has two fee-funded programs – the Workers Compensation program and the Boiler Inspection program. The revenue for the Workers Compensation Fee Fund is from an annual assessment applied to calendar year claims paid by insurance companies admitted and authorized to write compensation insurance in Kansas, qualified employers that self insure their workers compensation exposure, and deductible amounts paid by insurance carrier policyholders. The assessment rate is a product of the total amount of revenue needed for the state fiscal year divided by the total amount of claims paid. The revenue deposited into the Boiler Inspection fee fund is from certificate fees paid by insurance companies and from inspections fees done by the state inspectors.

The **Division of Workers Compensation** is a major part of our agency and provides advice and administration of the Kansas Workers Compensation Law. Mr. Phil Harness is present and represents this unit. This group administers all aspects of the Kansas Workers Compensation Law, including:

- **Inspections** - The Industrial Safety & Health unit (ISH) oversees four (4) occupational safety and health programs:
 - 1) **Public Sector Enforcement** - Compliance audits of public sector workplaces are performed to identify and correct occupational hazards under KSA 44-636. Between 3,000 and 5,000 hazards are abated annually under the only ISH program funded with state general funds.
 - 2) **Private Sector Consultation Project** - Providing consultative services to private sector employers upon request. Over 1,000 employers are assisted annually. When participating in this OSHA-funded program, employers must agree to abate all serious hazards identified by the consultant.
 - 3) **Accident Prevention** - Insurance companies are required to provide occupational safety and health assistance to their insured under KSA 44-5,104. ISH reviews the quality and quantity of the services provided annually to Kansas employers with monies provided by the workers compensation fund.
 - 4) **Boiler Safety Inspection** - All boilers and newly installed pressure vessels are inspected under this fee-funded program. KSA 44-913, et seq., provides the legal authority for such activity.

Labor Market Information Services (LMIS) is the statistical arm of the agency and is funded primarily by the Bureau of Labor Statistics, U.S. Department of Labor. LMIS administers four programs for the Bureau of Labor Statistics. One of the most widely recognized is the development of unemployment rates for the state, each of its 105 counties, and its major metropolitan statistical areas. This department serves as actuarial trustee for the Unemployment Insurance Trust Fund, providing assistance with unemployment insurance benefit cost estimates and legal modification. As of January 25, 2003, the Kansas UI Trust Fund balance stood at \$391.5M. This amount includes the \$78.2M Reed Act distribution. Mr. Bill Laves heads up LMIS.

As you might imagine, we also have a major **Staff Services** division that includes Personnel, Information Technology, Fiscal Management, Legal, Building and Office Management, and Communications.

Our **Legal Services** unit is responsible, among many other things, for:

- **Employment Standards** – Chief Counsel has supervisory authority over Employment Standards, which is responsible for wage and hour, wage payment, child labor, and private employment agencies. They collect about \$1M each year in unpaid wages for Kansans.
- **Employment Security Board of Review** – Chief Counsel provides oversight of the Board and supervisory responsibility of the administrative support for the Board. Legal provides direct support to the Board's administrative staff in the preparation of case transcripts and summaries from which the Board does its case reviews.
- **Labor Standards** – Chief Counsel has supervisory responsibility over Labor Standards, which administers the Public Employer/ Employee Relations Act and Professional Negotiations Act.

A.J. Kotich is our Chief Counsel and manages our Legal unit.

KDHR is also home for four **Advisory Commissions** that serve various populations in Kansas. These include: the Office of Native American Affairs, managed by Mr. Brad Hamilton; the Advisory Commission on African American Affairs, managed by Ms. Pamela Johnson-Betts;

the Commission on Disability Concerns, managed by Martha Gabehart; and the Advisory Committee on Hispanic Affairs, managed by Tina DeLaRosa.

Thank you for this opportunity to appear before you, Mr. Chairman, and members of the Committee. I will answer any questions at this time. There are key members of our KDHR staff here with us today and they will be happy to assist with the detailed aspects of any questions you may have.

Attachment

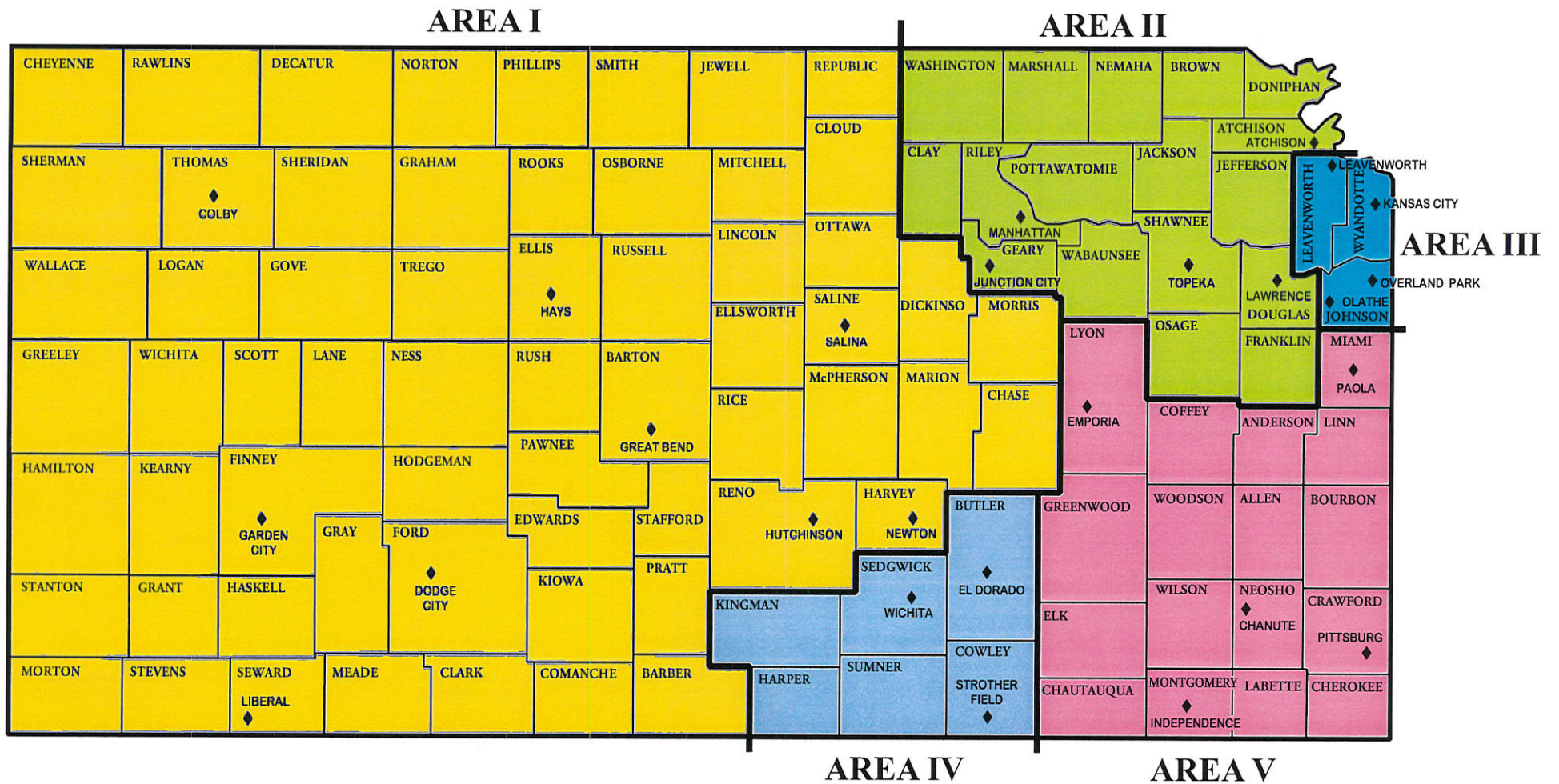
KANSAS DEPARTMENT OF HUMAN RESOURCES

Division of Employment & Training

LOCAL OFFICES

November, 2002

2-6



2-6

Reed Act Distribution

The term "Reed Act" refers to a part of the Employment Security Financing Act of 1954, and is used in honor of Congressman Daniel A. Reed of New York, chairman of the House Ways and Means Committee at the time. This legislation amended Titles IX and XII of the Social Security Act (SSA) and established the basic structure of the Unemployment Trust Fund (UTF). The amendments to Title IX, among other things, provided, under certain conditions, for the transfer of excess funds in the Employment Security Administration Account (ESAA) in the UTF to the individual state accounts in the UTF. These transferred funds are commonly referred to as "Reed Act" funds.

In March 2002, a Reed Act distribution of \$8 Billion was deposited in the states' accounts of the Unemployment Trust Fund in conformity with the economic package adopted by Congress (Public Law 107-147) and signed by the President On March 9, 2002. Kansas received a Reed Act distribution in March 2002 of \$78 Million. This \$78 Million rests in the Kansas Unemployment Insurance trust fund. The following are permissible uses of the Reed Act distribution.

- Operational funding as the states assume nearly total responsibility for the currently federal Unemployment Insurance program over the next six years.
- Administration of state Unemployment Insurance Law.
- Computer and network equipment as well as training, technical assistance, and professional development of staff.
- One Stop operations.
- Labor Market Information and career guidance materials.
- Funds may be used for special additional compensation programs.
- The Reed Act distribution may be used to make payments to individuals not otherwise eligible for regular compensation. These include part-time workers and those who qualify under alternative base periods.
- The distribution could also remain in the state trust fund to provide Employer tax relief.

Labor Market Information Services
Kansas Department of Human Resources
January 2003

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