

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The joint meeting of Senate Commerce Committee and House Committee on Commerce and Labor was called to order by Chair Representative Don Dahl at 8:30 a.m. on January 21, 2003 in Room 123-S of the Capitol.

All members were present except: Senator Jay Scott Emler  
Senator Dave Kerr

Committee staff present: April Holman, Legislative Research  
Deb Hollon, Legislative Research  
Mitch Rice, Revisor of Statutes  
Jodie Anspaugh, Secretary

Conferees appearing before the committee: Philip Harness, Acting Director of Workers Compensation  
Bill Layes, Chief of Labor Market Information Services

Others attending: See attached list.

Presentations by Kansas Department of Human Resources

Presentations of those appearing before the joint committee covered the following: Unemployment Securities Division, Unemployment Compensation, Reed Act, and Workers Compensation Division.

Presenters were:

Philip Harness, Acting Director of Workers Compensation (Attachment 1)  
Bill Layes, Chief of Labor Market Information Services (Attachments 2 and 3)

Following the briefings, Mr. Harness and Mr. Layes answered questions regarding their presentations.

The meeting was adjourned at 9:30 a.m.

The next meeting is scheduled for January 22, 2003 at 8:30 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: Tuesday, Jan. 21, 2003

| NAME          | REPRESENTING           |
|---------------|------------------------|
| Bill Curtis   | Ks Assoc of School Bds |
| CLAUDE LEE    | KDHR                   |
| Charles Heath | Senator Emler          |
| Tom Whitaker  | Ks MOTOR CARRIERS ASSN |
| [unclear]     | KS AFL-CTO             |
| Jim McHaff    | KS AFL-CTO             |
| Hal Hudson    | NFIB/KS                |
| Barb Covert   | KTRA                   |
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COMMERCE AND LABOR

DATE January 21, 2003

| NAME                    | REPRESENTING                           |
|-------------------------|--|
| Phil Harner             | KDHR - Winton Corp.                    |
| Mike Hottel             | Ks. Governmental Consulting            |
| Jim Garner              | KDHR                                   |
| Scott Heider            | KSIA                                   |
| <del>Tom Slattery</del> | KTLA                                   |
| Tom Slattery            | AGC / Ks                               |
| Kevin Davis             | Am Family Ins.                         |
| John Petersen           | Ks Govnt'l Consultn                    |
| Harry Borne             | Dept of Admin                          |
| Barb Reeves             | Workforce Network of Kansas            |
| Steve Jod               | KDHR                                   |
| NAYNE ISAAC             | WORKFORCE ALLIANCE of South Central KS |
| Nigalbe Brungart        | REAP                                   |
| Mary Ellen Orlu         | REAP                                   |
| Barbara Ann Rimer       | The Alliance of Am. Mfg. Co's          |
| Elaine Frisbre          | Div. of the Budget                     |
| Amber Kjelskus          | Sen. Brungart - intern                 |
| Toby Daugherty          | Sen Umbarger                           |
| Bill Schopf             | Budget Director - KDHR                 |
| Emil Schreder           | KDHR                                   |
| PAUL BICKNELL           | KDHR                                   |
| Mary Baker              | KDHR                                   |
| Orin W. Wain            | KDHR                                   |
| Bill Hayes              | "                                      |
| J.P. SMALL              | KOCH INDUSTRIES, INC                   |
|                         |  |
|                         |  |

**TESTIMONY BEFORE THE JOINT MEETING OF THE  
SENATE COMMERCE COMMITTEE AND THE  
HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE**

**January 21, 2003 – 8:30 a.m.**

**by Philip S. Harness, Acting Director of Workers Compensation**

The purpose of today's briefing is to: (1) briefly review why the Division is required to collect data, and (2) what the Division has done to meet this requirement.

The requirement to collect the data is contained in K.S.A. 44-557a. Pursuant to that statute, the Director shall compile and publish statistics to determine the causation of compensable disabilities in the state of Kansas, and compile and maintain a database of information on claim characteristics and costs related to open and closed claims. The requirements of the statute were discussed in 1999 in a Legislative Post Audit report.

In that report, Legislative Post Audit indicated the Division needed to upgrade its mainframe computer system to a modern system. The old mainframe made it difficult to identify and correct data entry errors, identify and correct duplicate reports, and place or receive data on the Internet. The audit report also concluded that the Division needed to implement subsequent reporting in order to obtain meaningful cost data, such as the number of active claims, the average cost per claim, legal costs, which injuries are the most costly, and which health care providers are the most costly. The report also concluded that the Division needed to work toward having more data submitted electronically through electronic data interchange (EDI).

Simply put, EDI is a computer-to-computer filing procedure using a standard, universal format. The International Association of Industrial Accident Boards and Commissions (IAIABC) began standardization of workers compensation forms in the 1950s, began researching electronic transmission during the 1980s, and developed EDI reporting standards in the 1990s. EDI eliminates delays and errors due to re-keying data, eliminates time spent in "telephone tag," and eliminates paper handling, filing, storage and mailing costs. The strategic benefits include improved quality and speed of operations, reduced operating costs, improved trading partner relations by assisting in reduction of costs and improved operations, timeliness of reporting, and more productive business activities.

The Division signed a contract with a vendor, Biltmore Technology, in November 2000, whose representatives met with staff, designed screens and reports, and created a relational database accessed through the Internet. The Division went "live" onto the new database system in November 2001. The database is relational – which means that important data are verified from official sources before being entered into various tables and is keyed to other data. Arrangements have been made with the Social Security Administration, and are pending with the Kansas Department of Revenue, to verify such data as names, addresses and social security numbers. The Division has a Verification Section whose duty it is to process, establish and validate the identity of each claimant, employer, and insurance carrier.

The Open and Closed Claim (OCC) study began in 1999. It involves the stratified sampling of about 40 organizations out of approximately 600 organizations with paid losses in the most complete recent year. This claims sampling was devised by a Washburn University professor of statistics and is designed to show measures of central tendency in claim costs and characteristics. The study contains 86 potential fields of data in original reports and eight fields in payment reports and was developed using a model based on a standard national claims-collecting package from NCCI called Detailed Claim Information (DCI). This information is then compiled and published in the Division's Annual Statistical Report and furnished to those requesting it.

The 2002 Legislature mandated that, as of January 1, 2004, any organization providing EDI Release 1 first reports of injury and subsequent reports will be exempt from participating in the OCC study. The Division has contracted with a vendor to implement electronic data interchange (EDI) in Kansas. The vendor will receive EDI information from self-insured employers, group pools, and insurance carriers, "clean up" the data, and forward it to the Division in a program that the Division is capable of receiving. The vendor will be paid by the Division, but each carrier/employer sending information to the vendor will be charged a per-transmission fee by a value added network of their choosing or re-keying the information under the "free option." With EDI, this information can be received and then put into statistically useful information as required by the statute. Self-insured employers, insurance carriers and group pools are still required to submit the information set out in K.S.A. 44-557a, but with EDI, the "extra" filings of the open and closed claim study would be eliminated.

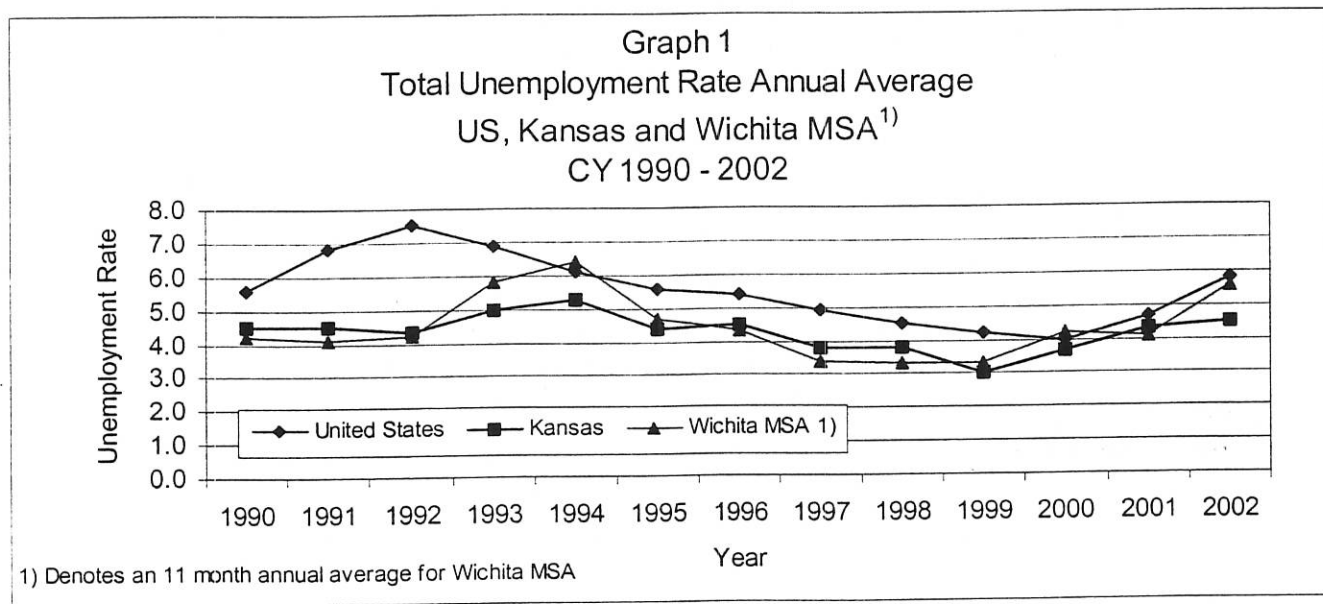
I will be happy to answer any questions you may have.

**TESTIMONY**  
**SENATE COMMERCE COMMITTEE AND**  
**HOUSE COMMERCE AND LABOR COMMITTEE**  
**January 21, 2003 – 8:30 a.m.**  
**by Bill Laves, Chief of Labor Market Information Services**

Good morning Chairpersons Brownlee and Dahl and members of the Committees. My name is Bill Laves. I am Chief of Labor Market Information Services, Kansas Department of Human Resources. I appear before you today to present testimony on Kansas unemployment rates, the status of the Kansas Unemployment Insurance Trust Fund and the Reed Act distribution.

**Kansas Unemployment Rates**

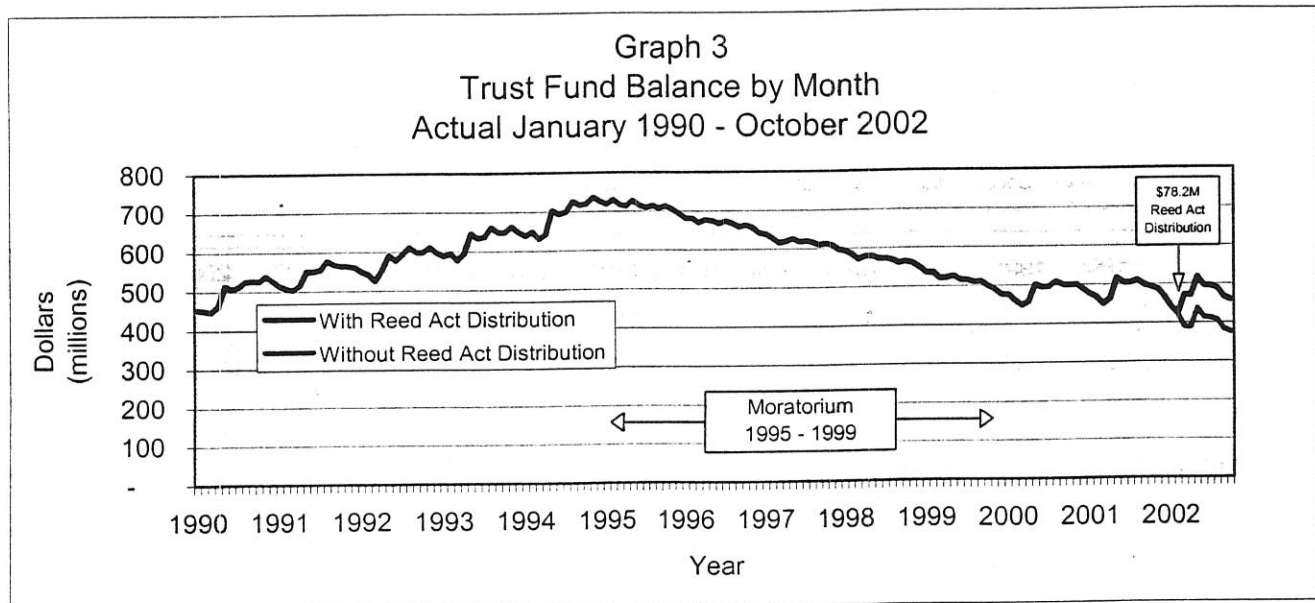
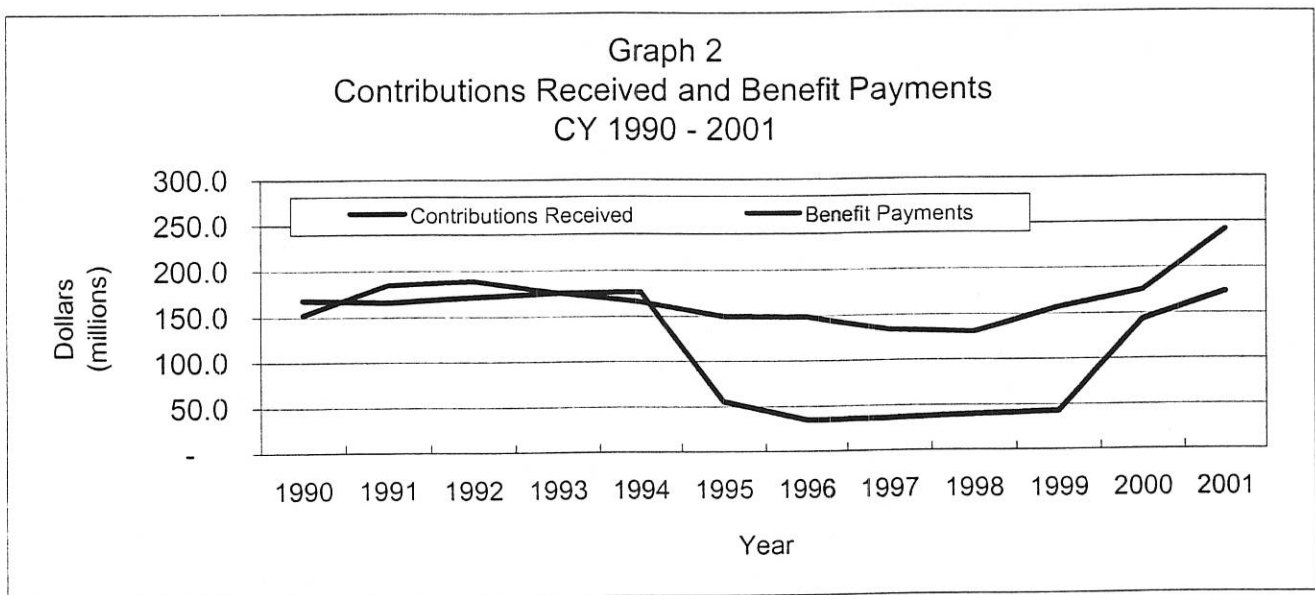
The Kansas unemployment rate for November 2002 was 4.5 percent; the rate for October 2002 was 4.6 percent; and the unemployment rate for November 2001 was 4.4 percent. We estimate the annual average unemployment rate for CY2002 will be 4.5 percent and compares to 4.3 percent for calendar year 2001. The estimated annual average unemployment rate for the Wichita area is 5.6 percent. The Wichita area averaged 4.1 percent for CY2001.



**Unemployment Insurance Trust Fund**

At present, the Kansas UI trust fund is solvent and in no immediate danger. On December 31, 2002, the Kansas UI trust fund totaled \$410.9M. This total includes a \$78.2M Reed Act distribution from the federal government. The December 2001 figure was \$466.0M. The year-end trust fund balance peaked

in 1994 at \$723.8M. The Unemployment Insurance tax moratorium, in effect from 1995-1999, produced declining reserves through 1999. The fund rose in 2000 with the return to taxation, but declined in 2001 with the downturn in the economy and accompanying increase in benefit payments. During CY2002, KDHR paid \$359.8M in benefits – nearly double the \$182.4M received in contributions. The prior year benefit payments and contributions totaled \$240.8M and \$172.9M, respectively – a difference of \$67.9M. Barring a marked improvement in the Kansas economy, or legislative intervention to bolster revenues, the fund is not expected to grow. Actuarial measures used to gauge trust fund adequacy are currently below suggested USDOL minimums. Without legislative action, further declines in these measures are anticipated, raising near and long-term concerns about fund solvency.



### Reed Act Distribution

In March 2002, a federal Reed Act distribution of \$8.0B was made to the states. This distribution was a result of the economic stimulus package adopted by Congress (Public Law 107-147) and signed by President Bush on March 9, 2002. Kansas received approximately \$78.2M, and these funds rest in the Kansas Unemployment Insurance trust fund. In accordance with federal guidelines, the following are permissible uses of the Reed Act distribution.

- Start-up costs for state takeover of the Unemployment Insurance program over the next six years
- Administration of state Unemployment Insurance law and the Public Employment Service
- One-Stop operations
- Labor market information and career guidance materials
- Special additional compensation program
- Payment to individuals not otherwise eligible for regular compensation. (includes part-time workers and those who qualify under alternative base periods)
- Employer tax relief

I appreciate this opportunity to appear before you. I will attempt to answer any questions you may have.

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(revised December 4, 2002)

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Senate Commerce Committee  
Jan. 21, 2003  
Attachment 3-1

### Employment Security Advisory Council

- Authorized by K.S.A. 44-714(d) of the *Kansas Employment Security Law*
- Advises the Secretary of Human Resources and the State Legislature on matters relating to policy and administration of the *Law*
- Composed of 12 members serving four-year terms
- Equal representation of employers, employees and the public-at-large
- Meetings called by the Chair in consultation with members at such time and place as mutually agreed
- A quorum is six members - two each from employer, employee and public representatives

### CY 2002 Meetings

- January 8, 2002. Agenda items: TARGET; Financial Projections; Proposed Law Changes - 1) alternative base periods, 2) waiving pro rata share of employer benefit charges of \$100.00 or less, 3) drug testing via hair samples, (Action taken: item 1) tabled; motions entertained for items 1) and 2); [due to lack of a quorum, a mail poll was taken]; item 2) passed; item 3) defeated)
- February 20, 2002. Agenda items: Results of Mail Ballots; HB 2728; Military Drill Pay, Proposed Law Change – alternative base periods for certain claimants having workers compensation injuries (Action taken: motion passed)
- July 17, 2002. Agenda items: Recent History of UI, Presentation of Paper Concerning Benefits and Contributions, Reed Act Distribution (Action taken: formation of task force)
- July 29, 2002 (Task Force Meeting). Agenda items: Reed Act Distribution; Trust Fund Financing (Action taken: tabled)
- August 12, 2002 (Task Force Meeting). Agenda items: Reed Act Distribution; Trust Fund Financing (Action taken: 1) recommend to full Council to leave Reed Act monies on deposit; 2) no recommendation in regard to trust fund financing)
- August 28, 2002. Agenda items: Results of Task Force Meetings; Report on Joint Committee on Economic Development
- October 15, 2002. Agenda items: Review of Questions from August 28 Meeting; KDHR Downsizing Plan; UI/ES Reform; Proposed Law Change – exclude agricultural workers who are aliens meeting certain criteria in the federal *Immigration and Naturalization Act* (Action taken: tabled)

Senate Commerce Committee

Jan. 21, 2003

Attachment 3-2