

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 A.M. on January 24, 2006 in Room 241-N of the Capitol.

All members were present except:

Patricia Kilpatrick- excused

Scott Schwab- excused

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department

Norm Furse, Office of Revisor of Statutes

Renae Jefferies, Office of Revisor of Statutes

June Evans, Committee Secretary

Conferees appearing before the committee:

Jim Garner, Secretary of Labor

Others attending:

See attached list.

The Chairman opened the meeting and stated the minutes of January 17, 18, 19, 20 and 23<sup>rd</sup> were before the committee to peruse and would ask for corrections/approval later.

The Chairman stated we were fortunate to have the Secretary of Labor, Secretary Garner, here to present to the committee an update on the Department of Labor.

Secretary Garner stated the Department of Labor has many responsibilities: (1) administers the unemployment insurance program which processes claims for benefits and collecting unemployment taxes to fund the system, (2) operates the state's workers compensation system, (3) safety and health division offers workplace safety consultations for private employers and provides investigations, (4) enforces employment laws, including child labor laws and Wage Payment Act, (5) manages the labor market information services - a research unit which compiles awesome data on the workforce in Kansas and (6) oversees the Public Employers and Employees Relations Act and the Public Negotiations Act.

As a new agency, the Kansas Department of Labor (KDOL) developed a strategic plan to define a new vision and direction for the agency. The KDOL Strategic Plan reflects a sharper focus on providing quality customer service and efficiently delivery services. The customers are the 69,000 employers and the 1.3 million workers in Kansas. The people want more information, easier access to services and the assurance that resources are being used responsibly (Attachment 1). NOTE: "2005 Kansas Job Vacancy Survey" filed in Chairman's office.

Representative Grange asked how many on line violations had been received?

The Secretary said he would check that out and get the information to the Committee.

Representative Grant asked what the amount of savings had been by the moratorium on unemployment insurance.

Secretary Garner said he would provide that information.

Representative Grant moved and Representative Sharp seconded the approval of the Minutes of January 17, 18, 19, 20 and 23. The motion carried.

The meeting adjourned at 9:40 a.m. The next meeting will be January 25, 2006



**Testimony before the  
House Commerce and Labor Committee  
Jim Garner  
Secretary of Labor  
January 24, 2006**

Chairman Dahl and Members of the Committee:

Thank you for the opportunity to appear today and provide a brief update of activities within the Kansas Department of Labor during the last several months. The agency has many responsibilities. It administers the unemployment insurance program -- processing claims for benefits and collecting unemployment taxes to fund the system. The agency operates the state's workers compensation system. Our Industrial Safety and Health division offers workplace safety consultations for private employers and provides investigations into job-related accidents involving public employees. We enforce the employment laws for Kansas -- including Child Labor laws and the Wage Payment Act. The agency's Labor Market Information Services is the research unit which compiles awesome data on the workforce in Kansas. The agency also oversees the Public Employers and Employees Relations Act and the Public Negotiations Act.

**KDOL Strategic Plan**

As a new agency, the Kansas Department of Labor developed a strategic plan to define a new vision and direction for the agency. The KDOL Strategic Plan reflects a sharper focus on providing quality customer service and efficiently delivering services. Our customers are the 69,000 employers and the 1.3 million workers in Kansas. At KDOL, we know that the public expects more of government. In general, people want more information, easier access to services and the assurance that resources are being used responsibly.

To meet these demands, KDOL has a vision for the future based on two key concepts: customer-focused assisted self-service and integrated operations. Self-service options can improve the quality of information provided to customers. The long-term benefits of assisted self-service include improved customer satisfaction levels, reduction in paper processing and errors and increased overall staff productivity.

Another key element in the KDOL Strategic Plan is dissolving the "silos" that exist within the agency. Instead of each division operating as an "island," we will all function together as a cohesive group. Through more integrated operations, we can remove inefficient and duplicative operations between programs.

KDOL has embarked on numerous initiatives to advance these objectives in our strategic plan.

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## **Unemployment Insurance Modernization Project**

The 2004 Legislature approved the Governor's Budget Amendment to start a major project for KDOL— a rewrite of our unemployment insurance system. This project is an opportunity to make our operations simpler and more competitive, a key part of our strategic plan. At over 30 years old, the current UI computer system, which maintains information about collections from employers and payments to unemployed workers, has reached the limit of its ability to be modified to meet changing requirements. As part of this project, KDOL will redefine how we serve our customers, begin using new tools that will allow us to respond to our customers changing needs quickly and efficiently and our staff will be empowered to make more accurate, timely decisions using the latest information technology tools.

At this time, we are working closely with our vendor, IBM, to carefully examine and document every aspect of our current system. This will help us understand exactly how we do business today. We have gathered detailed information from KDOL employees who work with our UI system every day. We are now conducting focus groups with employers and claimants to get their input regarding the system. Our goal is to complete Phase I of the project by the end of July. We will continue to present periodic updates to the Joint Committee on Information Technology throughout this project. This project is an opportunity to document what we have been doing and see how we can do things differently to introduce more efficiencies to the system. Phase II of the project will involve the implementation of a new system.

## **Unemployment Insurance**

During CY 2005, the agency processed 127,056 initial claims for unemployment benefits. Compared to the 144,479 initial claims in CY 2004, this represents a 12 percent reduction in initial claims this past year. The total amount of unemployment benefits paid was \$255.7 million for CY 2005.

Unemployment tax rates for many Kansas employers will decline in 2006 as the Kansas economy continues to improve. Kansas tax rates are down more than three-tenths of a percentage point, on average. The overall average unemployment tax rate for Kansas employers in 2006 will be 3.15 percent, down from 3.48 percent in 2005. KDOL expects to collect \$61 million less in unemployment taxes in 2006.

The UI division continues its efforts to improve customer service and to promote online filing of unemployment insurance taxes for Kansas employers. In January of 2003, about 60 employers were filing their quarterly tax reports on-line. We have worked to address the lack of use of this option. Late in 2004, the online unemployment tax system expanded to 24-hours a day, seven-days a week rather than just during the regular business day. Allowing these transactions to take place at any time and providing for electronic payments makes the service more valuable to employers and their accountants.

In addition, KDOL had been charging employers a fee to pay their taxes online. This fee created a huge disincentive to filing and paying taxes online. KDOL is now using penalties collected from employers who are delinquent in their taxes to offset the agency's costs associated with processing electronic bank transfers of employers paying on-line. For the last quarter, a total of 14,398 employer tax reports were filed electronically. This is a major improvement but we have a long way to go.

The Unemployment Insurance Trust fund is solvent. At the end of CY 2005, the trust fund balance stood at \$448 million, up 39 percent from the 2004 year-ending balance of \$323 million. In 2005, employers contributed \$344 million to the fund.

The Unemployment Insurance Appeals Unit has continued to make significant progress over the past year reducing the backlog of UI appeal cases. In January 2004, there were 2,461 pending cases. By October 2005, there were only 408 pending cases. This progress reflects the staff's dedication and desire to lowering the number of pending cases.

### **Workers Compensation**

I am pleased to report that Kansas employers insured in the voluntary workers compensation market will see overall an average two percent decline in the rate filing approved for workers compensation premiums this year. National Council of Compensation Insurance (NCCI) data shows that many employers in neighboring states will see increased premiums in 2006. Rate filings for Kansas workers comp insurance premiums have significantly declined since 1993. And, Kansas's average loss costs are the lowest in our region. These indicators demonstrate that the workers compensation system in Kansas is stable. In contrast, Kansas remains near the bottom in benefits to injured workers.

As this committee is keenly aware, there are always many proposals tossed about to "fix" the system. I would urge you to be cautious in your deliberations to avoid the unintended consequences of "fixing" a system that isn't broken.

You will soon be receiving the annual statistical report from KDOL's Division of Workers Compensation. As a brief preview, I would share that in FY2005 KDOL processed 66,456 reports of job related accidents and 17,480 applications for hearings. Our Fraud and Abuse unit has stepped up their efforts, collecting more than \$139,000 in fines and restitution in FY 2005. The unit collected \$81,000 in the previous fiscal year.

#### *Online coverage verification*

This year, KDOL launched an online service to help our customers verify workers compensation coverage with just a few mouse clicks. Any person can visit our Web site and determine whether a business has workers compensation coverage in the state.



### *Electronic Data Interchange*

Launched last year, Electronic Data Interchange (EDI) allows transmission of workers compensation claims and/or coverage information from insurers to the state. Insurance carriers, self-insured employers and group-funded insurance pools can stop sending paper forms to KDOL and send the information electronically.

Before EDI, accident reports on work-related injuries and illnesses were made on paper and stored on microfilm. EDI provides faster reporting of data, is more cost-effective for all participants and assures more accurate data by eliminating data re-entry errors. EDI is a major step toward adopting a more efficient, paperless business environment.

About one-third of all accident reports are now filed electronically.

### **Workplace safety and health programs**

Last year, we conducted 1,033 workplace safety consultations and the Boiler Safety Unit processed 12,040 inspections.

KDOL is committed to making workplace safety a priority for the State of Kansas. Workplace safety programs will help make safe jobs a reality for all Kansas workers. Safer workplaces also benefit Kansas businesses by decreasing workers compensation premiums and increasing worker productivity. I feel it is important for employers to have a variety of services available to them to prevent injuries and illnesses in the workplace.

To more effectively administer the safety programs within the Department of Labor, all of the workplace safety programs have been reorganized under a new standalone division. We have hired a director with more than 20 years of experience in the safety and health fields who has developed and provided safety and health consultation services to a wide range of companies and industries across the U.S.

This year, we are introducing the Kansas State Safety Award Program. This program will recognize private employers across the state who are dedicated to providing safe work environments for their employees. The awards will be given based on the number of hours an employer has avoided a workplace injury. We are currently developing a plan to publicize this new program. Our goal is to encourage Kansas employers to develop and maintain safe workplaces.

### **Labor Market Information Services**

Job growth is an important component of a healthy economy. In 2005, steady growth in virtually all areas characterized the state's labor market. Kansas has had 22 consecutive months of job growth. Not only is Kansas adding jobs, but the state has had consistent growth in key sectors that create good paying, highly skilled jobs. In particular, we have begun to steadily add manufacturing jobs.

The number of working Kansans reached a record level in July 2005. Employers continue to add jobs, the unemployment rate is declining and unemployment claims are dropping. These are all positive signs as the Kansas economy continues to move in the right direction.

#### *New surveys*

KDOL acquired three surveys from the Department of Health and Environment this past year. The *Occupational Safety and Health (OSH) Program* survey, implemented in 1971 in Kansas, annually compiles the number, type and frequency of nonfatal injuries and illnesses in the workplace. The *Census of Fatal Occupational Injuries (CFOI) Program*, implemented in Kansas in 1991, provides information on Fatal Occupational injuries and illnesses in the workplace. Kansas also collects data for seven states for the *Occupational Safety and Health Administration (OSHA) Program*. This program provides data on work-related injuries and illnesses within specific industry and employment size specifications including hours worked and total employment. Governor Sebelius has emphasized the importance of aligning programs and agency expertise. KDOL staff is well-versed in administering and collecting survey data from employers, so these programs fit within our agency very well.

#### *Statewide job vacancy survey*

We have recently published our second statewide Job Vacancy Survey. We started this new product in 2004. This survey provides a better understanding of the current labor demands in Kansas. The data in the survey is collected from a survey of employers that assesses the types of job openings in Kansas, wage levels for those positions and educational and training requirements. It can assist area businesses in developing their recruiting strategies as well as various educational entities in providing necessary training for higher demand jobs. Surveys like this provide a better understanding of the labor demands in the state and ensure that Kansas can provide skilled labor for the employers in our state.

### **Employment Standards**

For CY 2005, the agency processed 1,502 wage claims and collected \$1,231,684.20 in unpaid wages for Kansans, an increase of \$371,000 over 2004. In addition, KDOL has improved outreach efforts for non-English speaking employees. In 2005, KDOL staff assisted several groups of non-English speaking employees with filing wage claims by hosting group meetings with an interpreter and providing forms and other resources in Spanish.

### **Conclusion**

This is a brief account of some of the activities within the Kansas Department of Labor since the end of the last legislative session. I hope you find this informative and helpful.

Again, Mr. Chairman, thank you for the opportunity to appear and share this information with you and the members of the committee. If you have any questions, I would be glad to respond.