

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 31, 2008 in Room 123-S of the Capitol.

All members were present.

## Committee staff present:

Jennifer Thierer, Kansas Legislative Research Department  
Kathie Sparks, Kansas Legislative Research Department  
Jason Long, Revisor of Statutes  
Jackie Lunn, Committee Assistant

## Conferees appearing before the committee:

Secretary Jim Garner, Department of Labor

## Others attending:

See attached list.

To read testimony submitted by conferees go to

<http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee>.

Chairperson Brownlee recognized Ms. Kim Winn representing the Kansas League of Municipalities to request a bill introduction. Ms. Winn presented written copy of her bill request. (Attachment 1) Ms. Winn stated she was requesting a bill to distribute E911 fees that are left over to counties still trying to get up and running on the E911 system.

Questions followed in regard to the location of the counties and what needed to be done to bring E911 to all areas of Kansas and also how the money would be used. It was noted that the money would be used for training and that the counties are scattered throughout the state.

**Senator Tiechman made a motion to move the bill request. Senator Barone seconded. Motion carried.**

Chairperson Brownlee stated the Committee needed to request that the IMPACT bill be introduced. She stated that this would be a change allowing more to be designated as a cash allotment and would be under the purview of the Department of Commerce with the intent of making it more flexible for economic development. Chairperson Brownlee called on Jason Long, Revisor's Office, for more explanation. Mr. Long stated the bill would allow Department of Commerce to have the option to make distributions of cash for the IMPACT program rather than relying on bond issues.

**Senator Brownlee made to motion to request the bill. Senator Teichman seconded. Motion carried.**

Chairperson Brownlee introduced Secretary Jim Garner with the Department of Labor to give an update on the activities within the Kansas Department of Labor during the last several months. Secretary Garner presented written testimony. (Attachment 2) Secretary Garner made reference to UI Modernization of the Department of Labor and referred to a letter to the governor. (Attachment 3) Secretary Garner gave an update on the Unemployment Insurance Modernization Project. He reported that the project was progressing on schedule and under budget.

Secretary Garner stated the Department of Labor has many responsibilities. It administers the unemployment insurance program-processing claims for benefits and collecting unemployment taxes to fund the system. They also operate the state's workers compensation system and offer workplace safety consultations for private employers and oversees job safety involving public employees. They also enforce the employment laws for Kansas- including Child Labor laws and the Wage Payment Act. The department Labor Market Information Services is the research unit which compiles data on the workforce in Kansas. The department also oversees the Public Employers and Employees Relations Act and the Public Negotiations Act.

He stated the three call centers have been consolidated into one center with Voice Over technology on a large scale. VOIP permits them to forward calls from claimants in Wichita and Kansas City over data lines to

## CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on January 31, 2008 in Room 123-S of the Capitol.

maintain a local exchange call for these customers. Secretary Garner highlighted the automatic registration of claimants with labor exchange; the use of debit cards; and the cross match of claimants.

Secretary Garner stated that the UI Trust Fund remains in very healthy condition and the reduced tax rates for positive balance employers will continue for another year. He called the Committee's attention to a handout of charts showing unemployment statistics (Attachment 4) and reviewing them for the Committee.

Questions followed from the Committee concerning cross checks. It was noted they had not been implemented as of yet but within the next year they would be. Senator Kelly asked if the Department of Labor was doing anything to check the legal status of employees. Secretary Garner stated he would get information to the Committee members regarding what information they do get now. He stated they had just recently entered into a memorandum of understanding with Homeland Security and would get additional information to the Committee on that, also. The UI Modernization program was a topic of several questions and discussion. The questions returned to immigration and the verification process and if any undocumented workers were receiving benefits. It was noted that they had found some discrepancies and those were referred to Homeland Security.

Upon the conclusion of questions and answers, Secretary Garner moved on to the Workers Compensation annual report which is on file at the Department of Labor and in the Legislative Research Department. Secretary Garner referred the Committee to *KSafe Recipient Summary for calendar year 2007*, (Attachment 5), *Kansas Department of Labor Sharp Sites*, (Attachment 6), chart; *States with Sharp Sites by Total Number*, (Attachment 7), and the *Kansas Department of Labor Employment Standards*, (Attachment 8) and gave a brief review of all. Next, Secretary Garner referred the Committee to the Kansas Department of Labor written update on the electronic data interchange system for filing accident reports, the digital imaging and proof of coverage information systems activity over the last year, as well as a brief summary of the most important statistics just published in the FY 2007 Annual Statistical Report. (Attachment 9). Secretary Garner then referred the Committee to a Memorandum from David Sprick and Robert Soria to Paula Greathouse; a summary of the 33<sup>rd</sup> Annual Statistical Report FY 2007. (Attachment 10) Secretary Garner reviewed the memorandum for the Committee. He stated the number of reported workers comp illnesses and injuries have increased from the past year. He also stated the Ombudsman had taken calls from 25,336 parties and continued his review stating NCCI does an annual report on the Work Comp in all the states in the United States and they shared information that the Kansas' work comp market remains very stable and very profitable for the underwriters and that it is a good place for the underwriters to do business in. Secretary Garner stated the Department of Labor is also trying to modernize work comp and are making progress in creating a quicker efficient operation in their records keeping area. Also, this year they changed the state policy on work comp record keeping rules and now they only have to keep the records for 25 years instead of forever. He stated that out of the 10 Administrative Law Judges (ALJ) six chose to opt into the new system and four remained in civil service. This is the first year that any ALJ positions will expire and they are already working on those appointments. In closing, Secretary Garner stated the boiler inspections were being done on a hand held unit instead of paper and pencil and this has greatly streamlined this process allowing for inspections being done much sooner and in less time. He stated the Department of Labor was part of the partners of the unified government front to respond to disasters in the state in 2007. They had staff physically located in Haviland for four weeks after the tornado in Greensburg processing disaster unemployment claims and they had staff physically located in Coffeyville for four weeks after floods in southeast Kansas.

Chairperson Brownlee opened the floor for questions for Secretary Garner. It was noted that the Department of Labor worked well with Kansas, Inc. providing information for the IKE Report. Chairperson Brownlee stated she attended the Work Comp Advisory Committee meeting and that Director Paula Greathouse has done a very good job getting those meetings on track.

Chairperson Brownlee stated that the Senate Commerce Committee would be meeting as a joint committee tomorrow with the Senate Assessment and Taxation Committee at 8:30 in room 123 S. With that said, Chairperson Brownlee adjourned the meeting at 9:30 a.m.



# 12-5331

## 1. Chapter 12.--CITIES AND MUNICIPALITIES

### Article 53.--EMERGENCY TELEPHONE SERVICES

**12-5331. Payment and collection of fees.** (a) Every billed wireless service user shall be liable for the wireless enhanced 911 grant fee and the wireless enhanced 911 local fee until such fees have been paid to the wireless carrier.

(b) The duty to collect any such fees imposed pursuant to this act shall commence July 1, 2004. Such fees shall be added to and may be stated separately in billings for the subscriber account. If stated separately in billings, the fees shall be labeled "KS E-911 fees."

(c) The wireless carrier shall have no obligation to take any legal action to enforce the collection of the fees imposed by this act. The wireless carrier shall provide annually to the secretary a list of amounts of uncollected wireless enhanced 911 grant fees along with the names and addresses of those wireless service users which carry a balance that can be determined by the wireless carrier to be nonpayment of such fees. The wireless carrier shall provide annually to the local collection point administrator a list of amounts of uncollected wireless enhanced 911 local fees along with the names and addresses of those wireless service users which carry a balance that can be determined by the wireless carrier to be nonpayment of such fees.

(d) The fees imposed by this act shall be collected insofar as practicable at the same time as, and along with, the charges for wireless service in accordance with regular billing practice of the wireless carrier.

(e) The wireless enhanced 911 grant fee and the amounts required to be collected therefor are due monthly. The amount of any such fees collected in one month by the wireless carrier shall be remitted to the secretary not more than 15 days after the close of the calendar month. On or before the 15th day of each calendar month following, a return for the preceding month shall be filed with the secretary in such form as the secretary and the wireless carrier shall agree. The wireless carrier required to file the return shall deliver the return together with a remittance of the amount of the fees payable to the secretary. The wireless carrier shall maintain records of the amount of any such fees collected pursuant to action in accord with this act. Such records shall be maintained for a period of three years from the time the fees are collected.

(f) The wireless enhanced 911 local fee and the amounts required to be collected therefor are due monthly. The amount of any such fees collected in one month by the wireless carrier shall be remitted to the local collection point administrator not more than 15 days after the close of the calendar month. On or before the 15th day of each calendar month following, a return for the preceding month shall be filed with the local collection point administrator. Such return shall be in such form and shall contain such information as required by the administrator. The wireless carrier required to file the return shall deliver the return together with a remittance of the amount

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Attachment 1-1

of the fees payable to the local collection point administrator. The wireless carrier shall maintain records of the amount of any such fees collected pursuant to action in accord with this act. Such records shall be maintained for a period of three years from the time the fees are collected.

(g) In the case of prepaid wireless telephone service, the monthly wireless enhanced 911 grant fee shall be remitted to the secretary by the wholesaler of the prepaid wireless service not more than 15 days after the close of the calendar month in which the prepaid wireless service is sold by such wholesaler.

(h) Except as provided by subsection (d) of K.S.A. 2006 Supp. 12-5330, and amendments thereto, not later than 30 days after receipt of moneys from wireless carriers pursuant to this section, the local collection point administrator shall distribute such moneys collected from the wireless enhanced 911 local fee to PSAP's based upon primary place of use information provided by wireless carriers. The local collection point administrator may retain an administrative fee of not more than 2% of moneys collected from such fee. ***Moneys which cannot be attributed to a specific PSAP may be utilized for the purposes set out in K.S.A. 12-5330(b) and may be distributed to PSAPs for the same such purposes.***

(i) The local collection point administrator shall keep accurate accounts of all receipts and disbursements of moneys from the wireless enhanced 911 local fee. The receipts and disbursements shall be audited yearly by a licensed municipal accountant or certified public accountant and the audit report shall be submitted to the secretary.

**History:** L. 2004, ch. 72, § 11; Apr. 22.

**Testimony before the  
Senate Commerce Committee  
Jim Garner  
Secretary of Labor  
31 January 2008**

Chairpersons Brownlee and Jordan and Members of the Committee:

Welcome back and thank you for once again providing me the opportunity to appear and present 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 oversees job safety 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 data on the workforce in Kansas. The agency also oversees the Public Employers and Employees Relations Act and the Public Negotiations Act. Our customers are the 70,000 employers and the over 1.4 million workers in Kansas.

**Important Statistics**

Instead of taking time to recite a list of stats to you, I have put together a compilation of important numbers and charts concerning the programs administered by KDOL, which is included as an appendix to this testimony. I hope you find this data helpful and informative.

**Unemployment Insurance Modernization Project**

In 2004, the 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 and begin using new tools that will allow us to respond to our customers changing needs quickly and efficiently. Our staff will be empowered to make more accurate, timely decisions using the latest information technology tools.

IBM is our lead vendor and this summer we have kicked off phase II, implementation of the new system and reorganization of UI business operations. I am pleased to report that the project is progressing on schedule and on budget. We last provided an update on September 19, 2007, to the Joint Committee on Information Technology. In addition, each month our independent validation and verification vendor, Maximus, provides progress reports to the Chief Information Technology Officer of the State of Kansas.

*Call Center Consolidation* – Part of the UIM project has been the creation of a new contact center to handle all initial claims processing for UI claimants. This summer we consolidated our three former call centers into one new contact center. In this undertaking, we are the first state agency in Kansas to use Voice Over IP technology on a large scale. VOIP permits us to forward calls from claimants in Wichita and Kansas City over data lines to maintain a local exchange call for these customers.

We experienced a problem early in implementing this new center as we brought the different work processes at each of the three former call centers into one operation. Customer service did suffer during the consolidation. However, we have focused our efforts on improving customer service and progress has been made even as the number of claims has increased during the winter months. We continue to monitor the call center performance closely.

*Automatic Registration of claimants with labor exchange* – To address the technical error rate discussed last year and, more importantly, to improve the opportunities for UI claimants to find new jobs, we are pursuing automatic registration of all claimants with the public labor exchange (Kansas JobLink). This is part of our UI Modernization project. Our goal is to not only register claimants with this job posting system, but also to identify and notify them of job openings that match their past work experience.

*Debit Cards* – Last session, the Legislature approved 2007 HB 2316 which allows KDOL to use debit cards to make UI benefit payments. We are proceeding with moving toward paperless payments as a part of the UIM project. Our goal is to make all payments by either direct deposit or debit cards this summer.

This will result in significant savings by eliminating warrant stock and reducing mailings. A Request for Proposals from financial vendors to administer the debit cards was released last week and the Department of Administration is now accepting proposals.

*Cross match of claimants* – To ensure greater integrity of the UI system and to prevent fraud, we will be implementing a number of additional cross checks of UI claimants as part of the UIM project. KDOL will cross match claimants with KDHE's vital statistics records to prevent any claims in the name of deceased individuals and cross match with the Department of Corrections to prevent payments to those incarcerated. This month we began cross-matching claimants with the National Directory of New Hires to prevent payment to anyone who recently was hired in a new job.

**Unemployment Tax Reductions Remain in effect.**

One of the most significant new laws in the 2007 session, SB 83, provided major tax relief to employers and reformed the antiquated waiting week for those receiving UI benefits.

In 2007, we collected \$100 million less in UI taxes than in 2006 – real tax savings to most employers in Kansas.

The good news is that the UI Trust Fund remains in very healthy condition and the reduced tax rates for positive balance employers will continue for another year. We estimate that employers will save another \$94 million in 2008. You will find in your material a copy of the letter I sent to the Governor certifying the health of the Trust Fund and the ability to continue the reduced tax rates.

**Worker Misclassification**

KDOL continues to increase our enforcement efforts preventing the misclassification of workers. Worker misclassification occurs when an employer miscategorizes workers as independent contractors rather than employees. Consequently, employers may not make appropriate withholdings or tax payments for their employees. Workers who have been incorrectly classified as independent contractors may lose access to unemployment benefits, workers compensation and social security.

This past year, KDOL created a separate unit within our UI Tax operations dedicated to investigating and handling worker misclassification matters. We also continue to work in cooperation with the Kansas Department of Revenue on these cases.

We maintain a joint website to allow for the reporting of suspected cases of worker misclassification ([www.kdor.org/misclass](http://www.kdor.org/misclass)).

For the CY 2007, KDOL identified 203 employers misclassifying 1,506 workers. Unemployment taxes owed by these employers totaled more than \$173,000.

**Workers Compensation**

The Workers Compensation market in Kansas remains very stable. According to the National Council of Compensating Insurers, Kansas remains a profitable place for insurers to operate. Injury frequency rates continue to be down; the average indemnity cost is lower in Kansas than the national average; and the average cost of permanent partial claims is less than the regional and national average. In contrast, Kansas remains quite low in the level of benefits to injured workers.

*Imaging Project and increased use of Electronic Communications* — In 2007, KDOL's Workers Compensation Division completed its project to create electronic images of 1.9 million documents.

This included 1.77 million accident reports, 112,000 election forms and 65,000 undocketed settlements. The new electronic imaging system replaces the division's



microfilm operation. This new system will allow KDOL staff to quickly retrieve documents. In the past, employees had to make a request for a document and wait for the processing unit to retrieve, print and send it. Besides greatly improving our customer service, the imaging project has reduced the costs for supplies to provide hard copy documents (paper, postage, faxing, envelopes, toner, film cartridges and duplicate cartridges).

We also were successful in getting the State Records Board to change the policy on records retention for the Workers Compensation Division. In the past, we had to keep our documents for an unlimited time. We asked for a revision to the policy to require that we keep documents for 25 years. This was approved, and as a result, we should see savings in storage costs.

In addition, this year we began sending routine notices to attorneys by e-mail correspondence. Use of these electronically-delivered docket notices has greatly reduced postage and mailing expenses.

*Implementation of new ALJ selection process* – In the 2006 session, a law was enacted changing the way Workers Compensation Administrative Law Judges are selected. The new system sets a four-year term for ALJs. Applicants for the position are reviewed by a two-person panel comprised of a Kansas AFL-CIO member and a Kansas Chamber of Commerce and Industry member. This panel makes a recommendation to the Secretary of Labor who can either accept or reject the recommendation. Existing ALJs were given the choice of opting into the new system (with the accompanying higher rate of salary) or remaining within the Civil Service System. The division has ten administrative law judges. Six judges opted to take advantage of the appointed term and unclassified position.

The law also called for staggered terms for those opting into the new system. This year marks the first two ALJ positions up for appointment under the new selection process. Two positions have terms which will expire in July 2008. The Director of Workers Compensation has worked with both the AFL-CIO and the KCCI to develop a plan for implementing the new selection process.

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

KDOL is committed to making workplace safety a top priority for the State of Kansas. It is important for employers to have a variety of services available to them to prevent injuries and illnesses in the workplace.

In 2006, we introduced the Kansas State Safety Award Program. This program recognizes private employers across the state who are dedicated to providing safe work environments for their employees and who have reached major milestones in their safe operations (100,000 hours, 500,000 hours and 1 million hours of operating without a lost time injury). The awards are given based on the number of hours an employer has avoided a workplace injury. You will find enclosed a list of the companies we recognized through this program in 2007.

This year, Kansas also recognized more businesses as part of the SHARP program. The Safety and Health Achievement Recognition Program is a partnership with OSHA designed to recognize businesses that have worked with KDOL to develop exemplary safety programs. These are the premier – best of the best – worksites for safety. Companies that achieve the SHARP designation are exempt from OSHA inspections for two years.

As of the end of 2007, Kansas had 71 companies participating in the SHARP program. Nationwide, only two states have more SHARP sites than Kansas. I also have enclosed a list of these companies for your information.

Our Safety and Health division continues its efforts to modernize our safety operations. This year, we implemented new technology for our boiler inspection unit. Our boiler inspection staff leapt from using a tablet and pencil to using handheld devices (PDAs) to collect and record data on boiler inspections. Field staff now can send “real time” reports back to our main office, improving our boiler data collection. In addition, staff in Topeka and in the field can communicate about scheduling and trip planning, resulting in more efficient use of travel time and agency vehicles.

#### **Labor Market Information Services**

Our Labor Market Information Division operates pursuant to a cooperative agreement with the U.S. Bureau of Labor Statistics and in accordance with BLS guidelines to compile statistics on the labor market in Kansas – estimates on the labor force, employment levels, unemployment rates, wages paid, and projections of future occupation trends.

Kansas saw continued job growth in 2007. The December job numbers show an over the year increase in jobs of 15,900. These have been across the board with 8 of 11 major industry sectors seeing increases in jobs. The Wichita MSA is the engine of job growth currently, contributing to a majority of statewide job growth.

Over the past two years KDOL has hired two labor economists to allow the agency to provide more detailed meaning to the awesome data collected by this division. The economists provide research, analysis and interpretation of labor market and economic data to assist in policy decisions, business incentives and economic development.

In 2007, we produced the first *Kansas Economic Report*, which was released on Labor Day. We intend to make this an annual report. I sent members of this committee an electronic link to it last September. You can find it at <http://www.dol.ks.gov/LMIS/economicReport/2007/2007EconomicReport.pdf>. It provides valuable information about the key economic indicators that influenced Kansas' economy in 2006.

This includes information on employment, unemployment and changes within several industry sectors – manufacturing and health care – with trends over past years. Also

included is information on fast growing occupations, the Gross Domestic Product, personal income, global business, the Consumer Price Index and population. I believe this report is a great new product prepared by KDOL and will serve as a meaningful resource to policy makers.

Also in 2007, LMIS prepared products and presentations for the KANSASWORKS State Board (state workforce development board) and the Post Secondary Technical Education Authority.

Again last year, we also produced our popular products, including the *2007 Job Vacancy Survey* and the *2007 Wage Survey*. I have included brochures on these reports in your materials.

### **Conclusion**

Finally, you can not report on 2007 in Kansas without mentioning the horrible natural disasters that we faced in our state.

KDOL was one of the partnering agencies that responded to the Governor's request for a coordinated state government response to the individuals and businesses impacted by the disasters. KDOL staff was physically located in the Disaster Recovery Center in Haviland for four weeks to help residents of Greensburg process claims for regular UI and Disaster Unemployment Assistance. We also had staff at the DRC in Coffeyville for four weeks following the terrible floods in Southeast Kansas. In addition, the Governor issued emergency directives waiving penalty and interest on late UI tax filings for businesses impacted by these disasters and allowing them extended time to file quarterly reports with KDOL. It also waived the one week waiting period for UI benefits for those left unemployed by the disasters. A directive also suspended the fees associated with installing replacement boilers.

I hope this brief, yet thorough, accounting of some of the activities within the Kansas Department of Labor since the end of the last legislative session has been informative and helpful.

Again, 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.

#### Attachments:

- UI initial claims chart
- UI Trust fund balances chart
- Wage claim payment numbers
- KSafe recipients for 2007
- States SHARP comparison
- SHARP recipients for 2007
- Job Vacancy Survey brochure
- Wage Survey brochure



DEPARTMENT OF LABOR

Kathleen Sebelius, Governor  
Jim Garner, Secretary

www.dol.ks.gov

September 7, 2007

Hon. Kathleen Sebelius  
Governor of the State of Kansas  
State Capitol Bldg, 2<sup>nd</sup> Floor  
Topeka KS 66612

Dear Governor Sebelius:

Last year you directed the Employment Security Advisory Council to develop a proposal to provide meaningful unemployment insurance tax relief to employers in a manner that would also maintain the future integrity of the UI Trust Fund. This effort resulted in the ultimate passage of 2007 SB 83.

A provision of this new law requires the Kansas Department of Labor to estimate the Average High Cost Multiple (AHCM) of the Trust Fund's balance as of June 30<sup>th</sup> each year. The AHCM is a tool to measure the health and integrity of the fund's balance. The new law states that if the AHCM falls below a measurement of 1.2, then the reduced tax rates would be suspended and the original tax rates would be reimposed to help reestablish an adequate balance of the fund.

I am pleased to report that KDOL has recently completed its estimation of the AHCM on our UI Trust Fund balance as of June 30<sup>th</sup>. The measurement indicated a healthy 1.58 computation – well above the 1.2 computation required to maintain the reduced tax rates. Attached is the report prepared by KDOL's Director of Labor Market Information, Dorothy Stites.

The reduced tax rates enacted and implemented for 2007 will continue and remain in place for 2008. When the new law was passed, KDOL estimated that the reduced rates will provide employers in Kansas around \$81 million in tax relief in 2007 and \$94.8 million in 2008.

Please let me know if you have any questions regarding this matter.

Very truly yours,



Jim Garner

Cc: Employment Security Advisory Committee  
Members of the Kansas Senate Commerce Committee  
Members of the Kansas House Commerce and Labor Committee

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Attachment 3-1

# MEMORANDUM

Kansas Department of Labor

**Date:** August 28, 2007  
**To:** Jim Garner, Secretary  
Kansas Department of Labor  
**From:** Dorothy D. Stites, Director  
Labor Market Information Services  
**Subject:** Average High Cost Multiple

In accordance with K.S.A. 44-710a(a)(3)(C)(iv), "...In order to be eligible for the reduced rates for rate year 2008 and subsequent rate years...the reduced rates for otherwise eligible employers shall not be effective for any rate year if the average high cost multiple of the employment security trust fund balance falls below 1.2 as of the computation date of that year's rates....."

One of the factors used to calculate the Average High Cost Multiple (AHCM) is the trust fund balance as of the end of July after a multitude of adjustments have been completed. The adjusted trust fund balance for July 31, 2007 was estimated based on data provided from KDOL's Divisions of Information Technology and Fiscal Services.

In addition annual wage (eligible covered employers only) information for state fiscal year ending June 30<sup>th</sup> was used. Since second quarter 2007 wage estimates are not available at this time, we have estimated the wages for second quarter 2007.

Furthermore, benefits payment information is used to calculate the benefit cost ratio. Benefits payments data was provided by IT.

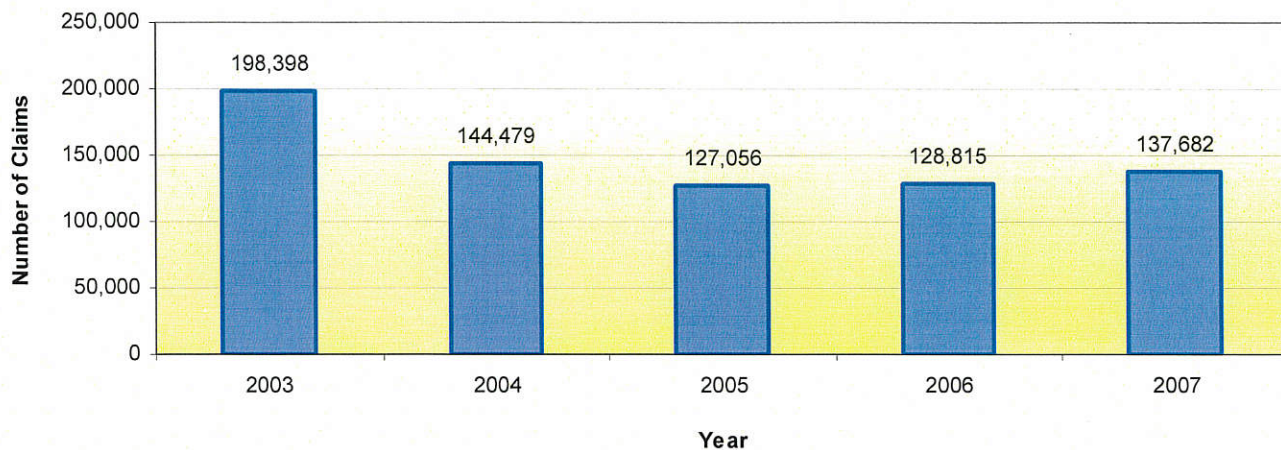
The law requires that the AHCM be estimated as of June 30, 2007, to decide whether it is at a level to allow for reduced rates in rate year 2008.

Using these estimations the AHCM as of the computation date of June 30, 2007 is estimated to be 1.58%, well above the lowest rate allowed by law. Therefore the estimated AHCM computation will enable employers to be eligible for reduced rates for rate year 2008.

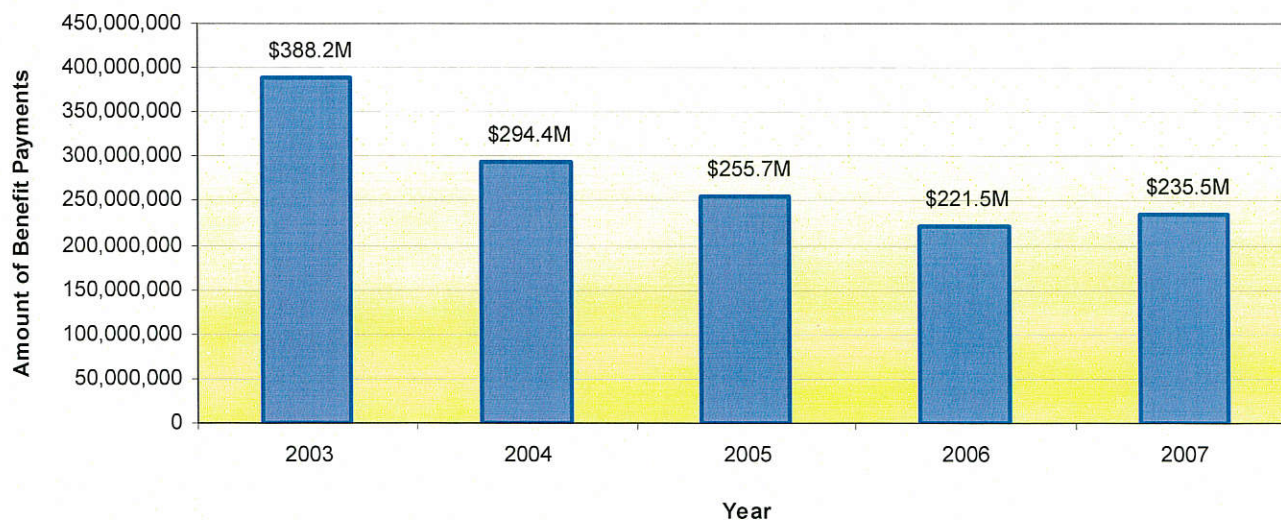
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## Unemployment Statistics

**Graph 1**  
**Number of Initial Claims**  
**CY 2003 - 2007**



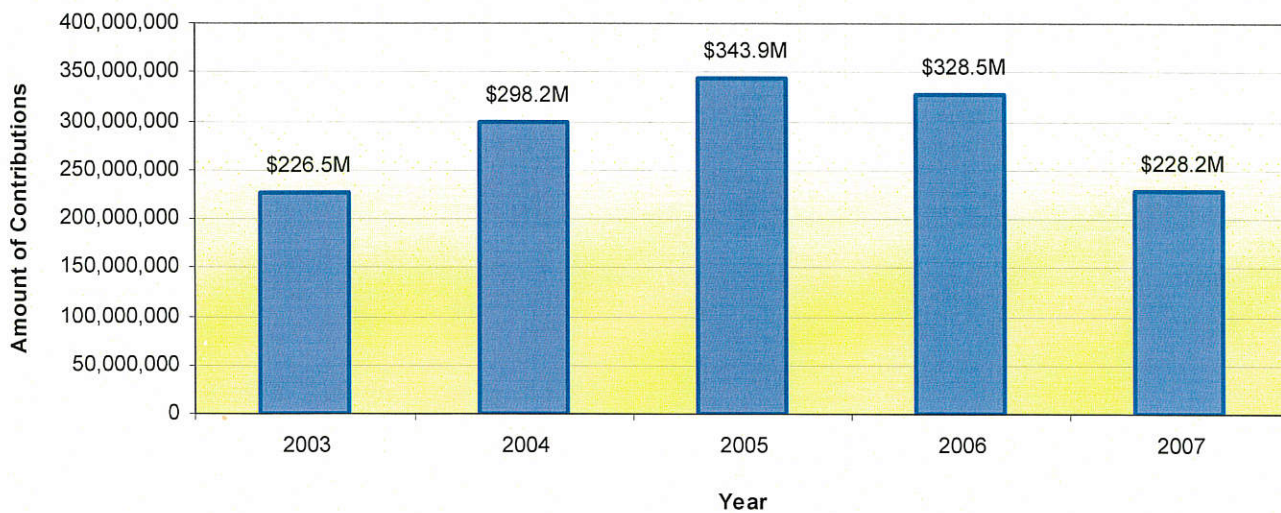
**Graph 2**  
**Amount of Benefit Payments**  
**CY 2003 - 2007**



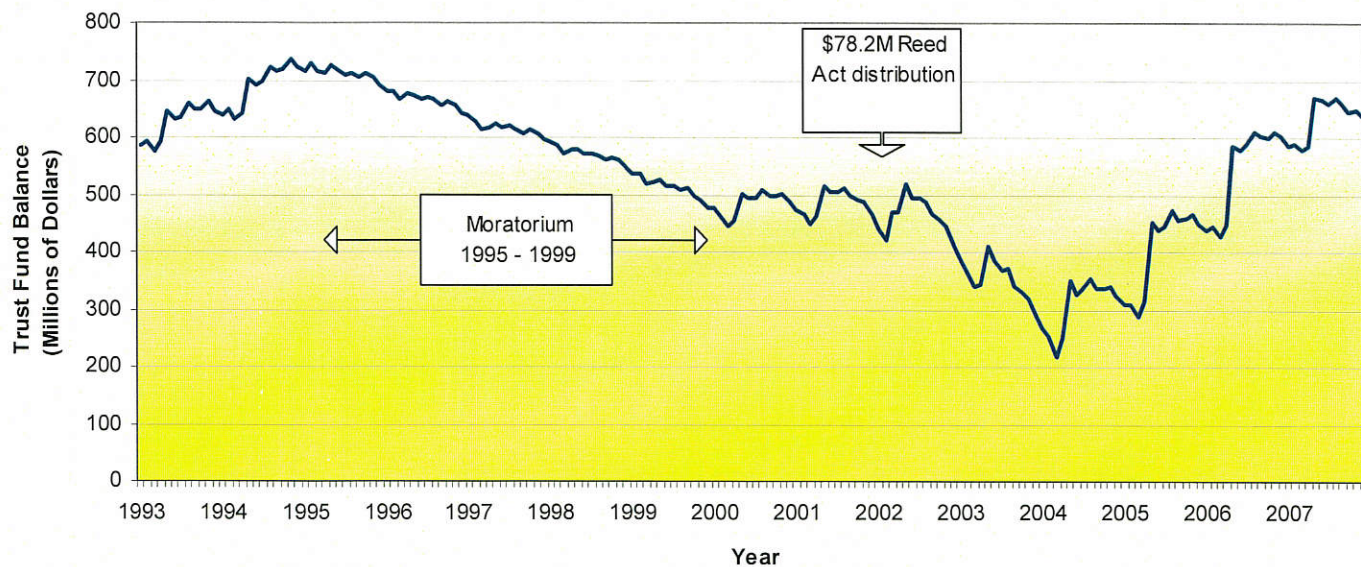
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Attachment 4-1

**Graph 3**  
**Amount of Contributions**  
**CY 2003 - 2007**



**Graph 4**  
**Trust Fund Balance by Month**  
**January 1993 - December 2007**



# KSafe Recipient Summary

Calendar Year 2007

## 100,000 hours without a lost-time accident Recipient List

Hi-Lo Industries Inc., Two facilities, both in Chanute, KS

Sisters of St. Joseph of Wichita, Wichita, KS

B &W Custom Truck Beds Inc., Humboldt, KS

East Kansas Agri-Energy LLC., Garnett, KS

Able Manufacturing & Assembly LLC., Pittsburg KS

## 500,000 hours without a lost-time accident Recipients

B &W Custom Truck Beds Inc., Humboldt, KS

North American Salt, Lyons, KS

Sumner Regional Medical Center, Wellington, KS

Hi-Lo Industries, Inc. (Wood Division), Chanute KS

## 1,000,000 hours without a lost-time accident Recipients

Hays Medical Center, Hays, KS

Adronics / Elrob Mfg. Corp., Hays, KS

Rubbermaid Home Products, Winfield, KS

Lowen Color Graphics, Hutchinson, KS

Sauer Danfoss, Lawrence, KS

Cessna Aircraft, Independence, KS

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Attachment 5-1



Kansas State Safety Award Program





## SHARP Sites in Kansas

(As of 1/01/2008)

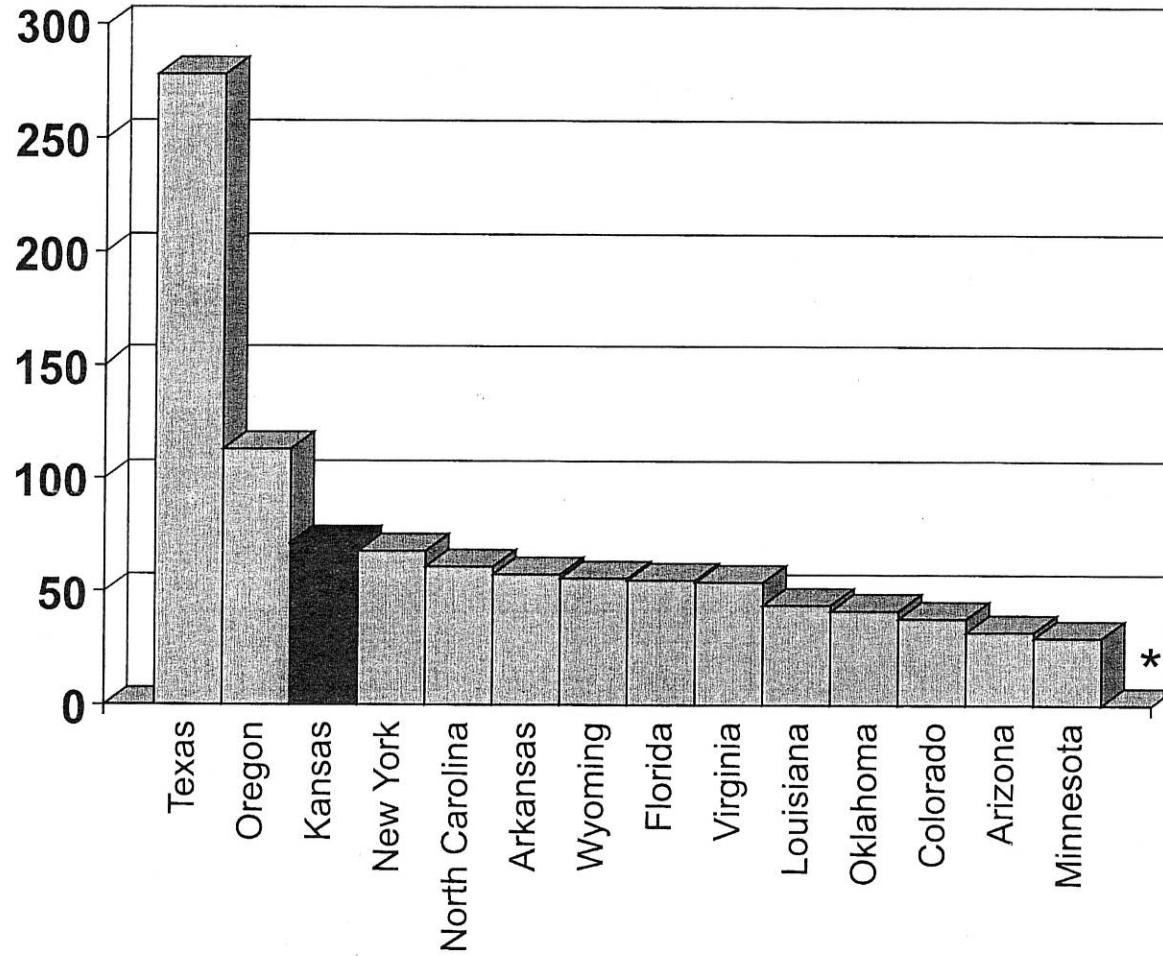
Company Name	City
Adronics/Elrob Mfg.	Hays
Amarr Garage Doors	Lawrence
American Maplan Corp.	McPherson
Asbury Park	Newton
Beachner Grain - Elevator	Erie
Camoplast Rockland Ltd.	Emporia
Centralia Home Health	Centralia
Centralia Medical Clinic	Centralia
Community Hospital Onaga	Onaga
Cross Manufacturing, Inc.	Hays
Cross Manufacturing, Inc. (Fitting Division)	Pratt
East Kansas Agri-Energy	Garnett
Eastridge Nursing Home	Centralia
Farrar Corporation	Manhattan
Farrar Corporation, Foundry	Norwich
Flame Engineering	LaCrosse
Frankfort Clinic	Frankfort
Full Vision, Inc.	Newton
Hi-Lo Industries Inc. - Cabinet Division	Chanute
Hi-Lo Industries Inc. - Wood Division	Chanute
Holton Family Health Clinic	Holton
Holton Home Health	Holton
Kansas Christian Home	Newton
LakePoint Nursing & Rehabilitation Center	El Dorado
Lowen Corporation - Sign Division	Hutchinson
Lowen Corporation - Site Building	Hutchinson
Meadowlark Hills Retirement Community	Manhattan
Midwest Ag Service, LLC	Seneca
Midwest Energy, Inc., Atwood	Atwood
Midwest Energy, Inc., Colby Service Center	Colby
Midwest Energy, Inc., Dighton Facility	Dighton
Midwest Energy, Inc., Goodland Facility	Goodland
Midwest Energy, Inc., Hanston Facility	Hanston
Midwest Energy, Inc., Hays Adm. Facility	Hays
Midwest Energy, Inc., Hays Gas Facility	Hays
Midwest Energy, Inc., Hill City Facility	Hill City
Midwest Energy, Inc., Hoxie Facility	Hoxie
Midwest Energy, Inc., Kinsley Facility	

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Attachment 6-1

Midwest Energy, Inc., Leoti Facility	Leoti
Midwest Energy, Inc., Lyons Facility	Lyons
Midwest Energy, Inc., Norton Facility	Norton
Midwest Energy, Inc., Oakley Facility	Oakley
Midwest Energy, Inc., Oberlin Facility	Oberlin
Midwest Energy, Inc., Phillipsburg Facility	Phillipsburg
Midwest Energy, Inc., Plainville Facility	Plainville
Midwest Energy, Inc., Quinter Facility	Quinter
Midwest Energy, Inc., Scott City Facility	Scott City
Midwest Energy, Inc., Sharon Springs Facility	Sharon Springs
Midwest Energy, Inc., St. Francis Facility	St. Francis
Midwest Energy, Inc., Stockton Facility	Stockton
Midwest Energy, Inc., Tribune Facility	Tribune
Midwest Energy, Inc., Wakeeney Facility	Wakeeney
Midwest Energy, Inc., Wilson Facility	Wilson
Midwest Energy, Inc., Colby Elec. Plant	Colby
Midwest Energy, Inc., Great Bend Service Center	Great Bend
Montezuma Mfg., Inc	Montezuma
Onaga Clinic	Onaga
Onaga Home Health	Onaga
Rehrig Pacific Company	De Soto
Skyland Grain LLC Johnson Branch	Johnson
Skyland Grain LLC Manter Branch	Manter
Skyland Grain LLC Saunders Branch	Saunders
St. Marys Clinic	St. Marys
St. Marys Home Health	St. Marys
St. Marys Hospital	St. Marys
St. Marys Manor	Onaga
Solomon Valley	Downs
The Cedars	McPherson
Triumph Aerospace Systems	Wichita
Western Beverage, Inc.	Dodge City
White Energy	Russell

## States with SHARP Sites by Total Number



As of January 1, 2008

Kansas currently has 71 SHARP sites.

\* The remaining states each have fewer than 30 SHARP sites.



**Wage Claim Data for Calendar Year 2007**

Number of New Claims Received	1,445
Number of Claims Served*	1,328
Total Amount Collected	\$1,338,618.98

\* Remainder not serve were referred to another agency, KDOL lacked jurisdiction or were returned for more information.

This is an update on the Kansas Department of Labor Division of Workers Compensation's electronic data interchange system for filing accident reports, the digital imaging and proof of coverage information systems activity over the last year, as well as a brief summary of the most important statistics just published in the FY2007 Annual Statistical Report.

#### **Electronic Data Interchange (EDI) of First & Subsequent Reports of Injury:**

36% of the weekly total number of First Reports of Injury submitted to the Division came through the EDI system in FY2007. There are currently over 40 different EDI trading partners (entities submitting through the system) that submit on behalf of more than 225 insurance carriers, group-pools, and self-insured employers.

#### **The Workers Compensation Imaging System:**

The imaging system was implemented in July 2006 and is a simple scan-store-retrieve of digital images of paper reports filed with division.

The total number of scanned images of incoming paper and microfilmed reports as of January 8, 2008:

- Elections: 112,786
- First Reports of Injury (FROI): 1,770,240
- Undocketed Settlements: 65,154

#### **The Workers Compensation Proof of Coverage Database**

Workers compensation policies filed with NCCI are transmitted, securely, over the Internet to a KDOL warehouse of workers compensation policies. The database is updated daily. It currently contains 1.3 million records, is fully accessible to administrative staff and aids the Division in identifying gaps in policy coverage of employers. In addition, the Division, with the cooperation of NCCI, created a system for claimants, attorneys, and others to verify coverage per a specific employer over the KDOL Internet home page. On average, the site receives (these are monthly averages over all 30 months) about 647 users per month, 1,263 basic searches per month, and 983 detailed searches per month.

#### **The Division of Workers Compensation Annual Statistical Report**

In FY2007, the Division processed 15,615 applications for hearings. The fraud and abuse unit collected \$231,433.83 in restitution and civil penalties.

There were 69,211 occupational injuries and illnesses reported to the Division of Workers Compensation during FY2007. The FY2007 total represents an increase of 2,742 reported injuries and illnesses, or a 4.1 percent increase from the previous year.

Table 3-5 on page 128 of the Annual Statistical report lists the main summary numbers for lost-time claims closing in Kansas in calendar year 2006. The median total indemnity cost was \$4,392.00. The median total medical expense was only \$6,133.50. The median duration of a claim was 359 days. It took an average of 19 days following an accident for an insurer to be notified; however, for half the claims, notification took place within six days. Insurers took an average of 129 days from the date disability began to make the first payment to the claimant; however, for half the claims, first payment took place within 21 days. Median medical recovery time was 197 days and the median time away from work was 28 days. Table 3-6 on page 130 lists the time interval statistics for claims closing in 2006.

# MEMORANDUM

1

**To:** Paula Greathouse  
**From:** David Sprick, Robert Soria  
**Date:** 1-09-08  
**Subject:** Summary of 33<sup>rd</sup> Annual Statistical Report FY2007

Below are the most important statistics that will be printed in the FY2007 report, page numbers are included.

## Administrative statistics (see Section 1, pages 13-34)

- There were 69,211 occupational injuries and illnesses reported to the Division of Workers Compensation during FY2007. The FY2007 total reflect all accidents occurring during the year, including fatalities, and represents an increase of 2,742 reported injuries and illnesses, or a 4.1 percent increase, from the previous year's total. (page 36)
- From another perspective, 190 employees per day were either injured or killed on the job in Kansas last fiscal year. (page 36)
- Workplace fatalities, the most severe type of injury, decreased 2.0 percent from the previous year (to 49, from 50 reported deaths), and is below the 13-year average of 56 reported cases. (page 36)
- 15,615 applications for hearings (page 31), and 5,600 employer elections. (page 3)
- The Business section issued 200 self-insurance permits to employers, including seven to new applicants. (page 13)
- The average weekly volume of EDI first reports of injury constituted 36 percent of the total number of accident reports filed with the division (total includes paper and EDI reports). (page 16)
- The Ombudsman section provided information upon request to 25,336 parties during the fiscal year. (page 28)
- The Research section responded to 51,507 requests for workers compensation histories. (page 32).

## Occupational Injuries & Illnesses in Kansas (see Section 2, page 37, Table 2-1)

**Table 2-1**  
**Kansas Total Occupational Injuries & Illnesses by Severity FY 1995 – FY 2007**

Fiscal Year	No Time Lost Injuries & Illnesses		Time Lost Injuries & Illnesses		Fatal Injuries		Total Injuries & Illnesses
	Total No Time Lost	% of Total Injuries & Illnesses	Total Time Lost	% of Total Injuries & Illnesses	Total Fatal	% of Total Injuries & Illnesses	
FY 1995	52,473	55.49%	42,030	44.44%	67	0.07%	94,570
FY 1996	68,674	71.79%	26,929	28.15%	60	0.06%	95,663
FY 1997	73,415	75.14%	24,220	24.79%	64	0.07%	97,699
FY 1998	63,071	63.77%	35,767	36.16%	70	0.07%	98,908
FY 1999	68,995	72.07%	26,674	27.86%	61	0.06%	95,730
FY 2000	71,327	79.21%	18,653	20.71%	69	0.08%	90,049
FY 2001	64,533	75.97%	20,368	23.98%	44	0.05%	84,945
FY 2002	52,549	72.16%	20,223	27.77%	53	0.07%	72,825
FY 2003	55,101	80.87%	12,994	19.07%	42	0.06%	68,137
FY 2004	48,298	75.03%	16,032	24.90%	44	0.07%	64,374
FY 2005	36,335	56.11%	28,369	43.81%	57	0.09%	64,761
FY 2006	37,619	56.60%	28,800	43.33%	50	0.08%	66,469
FY 2007	37,444	54.10%	31,718	45.83%	49	0.07%	69,211

Source: Kansas Division of Workers Compensation

(page 37)

Senate Commerce Committee  
*January 31, 2008*  
Attachment 10-1

- The decrease in reported gross counts for no time lost injuries reflects similar national trends towards decreases in overall frequency as the working population ages (younger workers much more likely to have higher claim frequency- less experience on job).
- However, as workers age, injury severity risk rises, hence, time lost claims tend to rise.

**Occupational Injury & Illness Incidence Rate in Kansas vs. National Rates(see Section 2, page 40, Table 2-2; page 41 Figure 2-1)**

- Many states define lost workday cases, and reportable injuries slightly different, therefore, a good comparative study is performed every year by Federal Bureau of Labor Statistics. We report their numbers in our annual statistical report every year.
- The Kansas "Total Injuries and Illnesses" rate is down by 4.6 injuries and illnesses per 100 workers for the period 1995-2006, a relative change of 47.4 percent. Similarly, the national average for total injuries has decreased by 3.7 injuries and illnesses per 100 workers, or 45.7 percent, between 1995 and 2006. (page 44)
- "Total Lost Workday Cases" in Kansas has declined by 1.9 injuries and illnesses per 100 workers, or 45.2 percent, from 1995-2006, while nationally the incidence rate for "Total Lost Workday Cases" is down 1.3 injuries and illnesses per 100 workers, or 36.1 percent, between 1995 and 2006. (page 44)
- "Cases Without Lost Workdays" ("other recordable cases") in Kansas are down by 2.7 injuries and illnesses per 100 workers from 1995-2006 (relative decline of 49.1 percent) and the nation as a whole experienced a similar decline (2.3 injuries and illnesses per 100 FTE, or 52.3 percent). (page 44)

**Table 2-4  
BLS Survey of Kansas Private Sector Occupational Injury & Illness Incidence Rate\* 1995 - 2006**

Calendar Year	Total Injuries & Illnesses*		Total Lost Workday Cases*		Lost Workday Cases with Days Away from Work*		Cases Without Lost Workdays**	
	National Rate	Kansas Rate	National Rate	Kansas Rate	National Rate	Kansas Rate	National Rate	Kansas Rate
1995	8.1	9.7	3.6	4.2	2.5	2.5	4.4	5.5
1996	7.4	8.9	3.4	4.0	2.2	2.2	4.1	4.9
1997	7.1	8.6	3.3	4.0	2.1	2.1	3.8	4.6
1998	6.7	8.5	3.1	3.7	2.0	1.9	3.5	4.8
1999	6.3	7.6	3.0	3.6	1.9	1.9	3.3	4.0
2000	6.1	7.8	3.0	3.3	1.8	1.7	3.2	4.4
2001	5.7	7.3	2.8	3.2	1.7	1.6	2.9	4.0
2002	5.3	6.2	2.8	3.0	1.6	1.4	2.5	3.2
2003	5.0	5.5	2.6	2.7	1.5	1.3	2.4	2.9
2004	4.8	5.5	2.5	2.4	1.4	1.1	2.3	3.1
2005	4.6	5.3	2.4	2.4	1.4	1.2	2.2	2.9
2006	4.4	5.1	2.3	2.3	1.3	1.1	2.1	2.8

\*Per 100 FTE Private Sector Workers

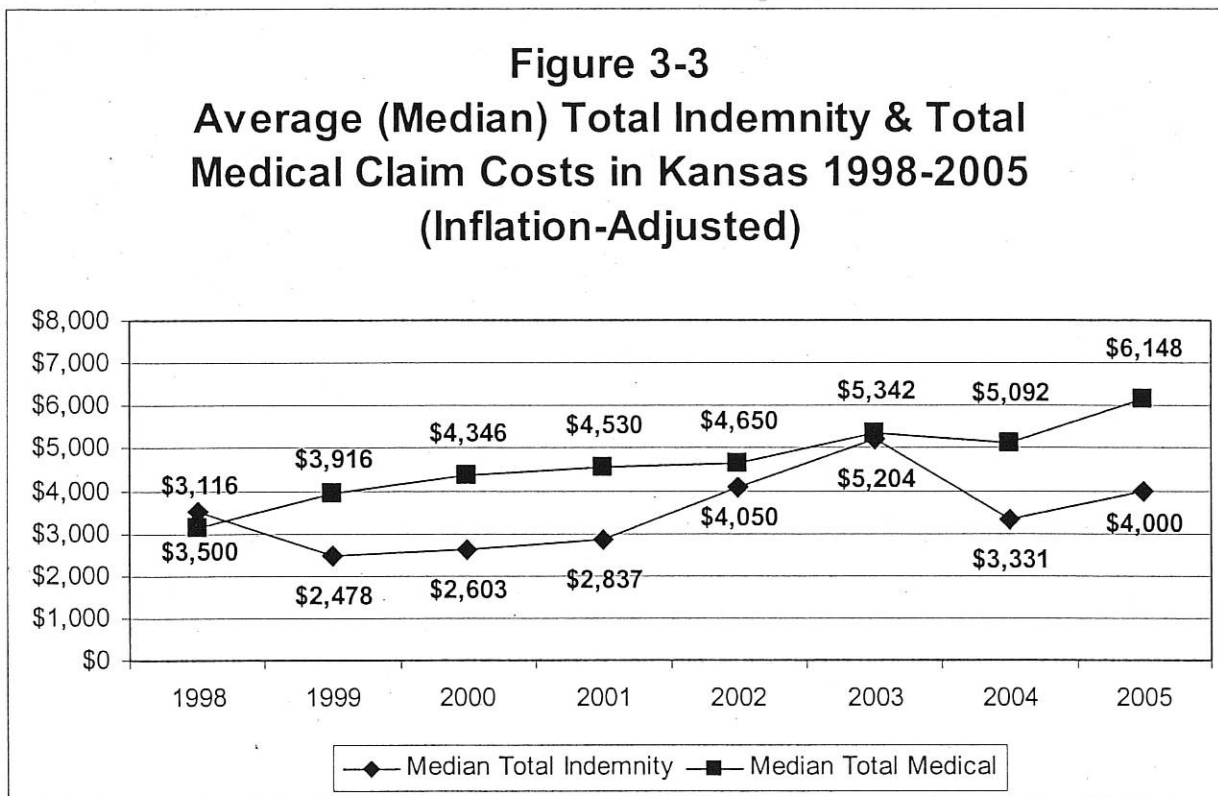
\*\* Starting in 2002 this category has been reclassified by BLS as "other recordable cases"

Source: U.S. Department of Labor, Bureau of Labor Statistics

(page 45)

**Kansas Closed Claim Study Average Cost Statistics (see Section 3, pages 128-150)**

- The mean total indemnity cost was \$11,148.42 (see Table 3-5, page 128). However, the median total indemnity cost was \$4,392.00. This significant difference indicates that there were many claims with large indemnity payouts that skewed the mean indemnity costs higher than the median. **NCCI reported an “average indemnity cost per case” for 2006 at \$16,200, which we assume average reported was mean costs. The median cost is more appropriate for the reason above, and we are unsure of the sampling methodology used by NCCI and whether it is representative or not.**
- Below is the graph of the rise in costs, adjusted for inflation (see page 146).



(page 146)

- Median total claim costs for 2006 were \$11,795.50. The indemnity percentage of the total claim costs for 2006 was 50.35% while medical costs constituted 49.65% of the total costs (Table 3-14 below and on page 142).



**Table 3-14**  
**2007 Closed Claims Study**  
**Total Claims Costs\* for Calendar Years 1998-2006**

Calendar Year	Median Total Costs (Dollars)*	Percent Indemnity	Percent Medical
1998	7,396.00	52.58	47.42
1999	6,909.00	51.28	48.72
2000	7,064.00	47.88	52.12
2001	7,398.00	46.96	53.04
2002	9,147.00	52.51	47.49
2003	11,242.00	52.12	47.88
2004	9,715.00	48.04	51.96
2005	11,164.00	49.76	50.24
2006	11,795.50	50.35	49.65

\*Sum of total incurred indemnity & medical costs per claim

Source: Kansas Division of Workers Compensation

(page 142)

- The Percent Indemnity and Medical only include claims with both indemnity and medical, not medical-only claims. This is why the percent medical is reported higher by NCCI (64%, reported for calendar year 2006).
- Temporary total disability (TTD) claims were the most common type of claim (1,651), and its median indemnity cost was \$2,409.00. The next two most frequent types of claims, scheduled permanent partial (531) and lump sum settlements (196), had median total indemnity costs of \$7,871.00 and \$6,345.50, respectively (see Table 3-10 below and on page 133).

**Table 3-10**  
**2007 Closed Claims Study**  
**Indemnity Costs by Benefit Type\***

Benefit Type	Mean	Median	n
Temporary Total	\$8,433.84	\$2,409.00	1,651
Temporary Partial	\$30,811.41	\$4,384.00	63
Unscheduled Permanent Partial	\$20,078.15	\$13,536.00	194
Scheduled Permanent Partial	\$13,282.23	\$7,871.00	531
Lump Sum Settlements (Indemnity portion)	\$12,071.02	\$6,345.50	196

\*Claims that closed in 2006 with paid indemnity & medical

Source: Kansas Division of Workers Compensation

(page 133)

**Employer Workers Compensation Costs 1984-2005 (see Section 3, pages 151-155, Tables 3-20 thru 3-23)**

The division has calculated and published standard measures of statewide employer costs for workers compensation, adjusted for inflation, for the period 1984-2005 (see Tables 3-20 to 3-23 below). Kansas Labor Market Information Services provided the nominal (non-inflation adjusted) wage data; Kansas Insurance Department provided the nominal insurance premiums data; and Kansas Division of Workers Compensation calculated the inflation adjustments, the increases and the ratios (premiums as a percentage of wages).

- In Kansas from 1984-2005, inflation-adjusted premiums as a percentage of inflation-adjusted wages, a common statistic for measuring employer cost, increased at an average annual rate of only 0.33 percent; however, over the entire period, it actually decreased by 3.38 percent (see Table 3-22 below and on page 154).

**Table 3-22**  
**Employer Workers Compensation Costs**  
**Kansas 1984-2005**

Premiums as a Percent of Total Kansas Wages	Premiums as % of Inflation Adjusted Total Wages	Average Annual Increase 1984-2005	Total Increase 1984- 2005*
		0.33%	-3.38%
1984	0.90%		
1985	1.05%		
1986	1.17%		
1987	1.23%		
1988	1.35%		
1989	1.30%		
1990	1.36%		
1991	1.50%		
1992	1.52%		
1993	1.47%		
1994	1.20%		
1995	1.16%		
1996	0.96%		
1997	0.82%		
1998	0.76%		
1999	0.69%		
2000	0.64%		
2001	0.68%		
2002	0.77%		
2003	0.80%		
2004	0.84%		
2005	0.87%		

\*Negative percentage indicates a decrease

Source: Kansas Division of Workers Compensation

(page 154)

- In contrast, Table 3-23 below also shows that in the entire United States from 1991-2005, inflation-adjusted premiums as a percentage of wages, decreased at an average annual rate of 0.14 percent, for a 4.15 percent decline over the entire period (data for U.S. only available from 1991-2005). Please note, however, that premiums, as a percentage of wages, are still significantly higher nationally than they are in Kansas.

**Table 3-23**  
**Employer Workers Compensation Costs**  
**United States 1991-2005\***

Premiums as a Percent of Total U.S. Wages	Premiums as % of Inflation Adjusted Total Wages	Average Annual Increase 1991- 2005**	Total Increase 1991- 2005**
		-0.14%	-4.15%
1991	2.41%		
1992	2.52%		
1993	2.66%		
1994	2.67%		
1995	2.60%		
1996	2.52%		
1997	2.44%		
1998	2.17%		
1999	2.11%		
2000	1.90%		
2001	1.87%		
2002	1.93%		
2003	2.09%		
2004	2.26%		
2005	2.31%		

\* U.S. data only available from 1991 and later

\*\* Negative percentage indicates a decrease

Source: John F. Burton Jr., *Workers' Compensation Costs for Employers 1986 to 2005* (Workers' Compensation Policy Review, vol 6, issue 2, March/April 2006); pp. 3-21.

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