

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steven Brunk at 9:00 a.m. on January 21, 2009, in Room 784 of the Docking State Office Building.

All members were present except:

Representative Delia Garcia- absent
Representative Broderick Henderson- absent
Representative Scott Schwab- absent

Committee staff present:

Stephen Bainum, Administrative Assistant
Jerry Donaldson, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Renaë Jefferies, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes

Conferees appearing before the committee:

Jim Garner, Secretary of Labor (Attachment 1)

Others attending:

See attached list.

The Chairman called for any bill introductions. Sherry Diel, Executive Director of the Real Estate Commission introduced a bill regarding the licensing of real estate brokers. It was received without objection.

Diane Minear, Council for the Secretary of State's office requested a clean up bill for the Home Inspectors bill that was passed last year. There were no objections.

Steve Brunk also introduced a bill having to do with home inspectors.

Jim Garner, Secretary of Labor was introduced to the committee and began his presentation. He passed out a seven page recapitulation of his comments (Attachment 1). He first listed all the activities within the Kansas Department of Labor, such as, unemployment insurance, workers compensation, workplace safety, employment laws and the Market Information Service. He said that the November unemployment rate was 4.8 percent, up from 4.4 percent last month and up from 3.8 percent last year. He then spoke about the Emergency Unemployment Compensation Act of 2008. It was enacted by congress in response to the worsening economic situation and provided an additional 13 weeks of unemployment insurance benefits after the regular benefits are exhausted. Later an additional 7 weeks were added to make a total of 20 extra weeks of benefits.

Jim said that the Unemployment Insurance Trust Fund in Kansas was in very good condition. The current balance is \$566.5 million.

Representative Grant asked if the Emergency funds affected the regular Unemployment Insurance fund levels. Mr. Garner said that the Emergency funds come from the Federal Treasury and do not affect the trust funds. Secretary Garner then spoke about the reduced rates of unemployment taxes for Kansas employers in 2007. Kansas employers realized \$83 million in savings due to the reduced rates. These savings continued into 2008 and will continue to save tax dollars for employers in 2009. The chairman asked him to explain how the saving are figured. Jim said they use a measurement called "the average high cost multiple." It is a measurement of the solvency of the trust funds that is recognized by the US Department of Labor. The dollar amount would be about \$450 million.

Representative Grant asked what the savings were to businesses during the five year moratorium. Secretary Garner said that it was \$555.9 million.

Representative Bowers asked that if the trigger is hit after July, what would that mean to the average business owner. Secretary Garner said that it depends upon what your experience rating is with the unemployment

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system. If it is very good you would have zero unemployment taxes and would increase to the low end of the tax rate. It would go from zero to 5.4 percent of the first \$8,000.00 of wages paid to employees.

Representative Gatewood asked why there was so much volatility after the moratorium ended in 2000. Secretary Garner said that it was a reflection of what was going on in Kansas after 9/11. The impact on our economy was a bit delayed but when it hit, it hit our aviation and manufacturing sector.

Secretary Garner explained the Call Center Operations. He said that due to the significant increase in lay offs and demands for unemployment benefits and the two new federal extensions of unemployment benefits, our call center has been overwhelmed with calls. We have recently hired 10 new staff members to take unemployment claims and will soon be hiring more staff.

Representative Grant asked about a constituent whose call was transferred to another call center out of the state. Secretary Garner answered that we have only one call center and it is here in Topeka. What we have is the payment of unemployment benefits with a debit card issued by CitiBank. If there were problems with the debit card then they might have to contact CitiBank at an out of state location.

Representative Bethell asked if the staff being added was temporary and if so how long would they be employed. Secretary Garner said that the longevity was dependant upon the economy.

Representative Worley said that some of his constituents had expressed their appreciation for the service they received from the Department.

Representative Grange commented that the debit card was good for five years and that a constituent had expressed concern that there were fees added if money was left on the card. The Secretary said that there was a six month notification letter sent out before any fees were charged and that the total amount could be withdrawn from the card at any time without any fees being charged.

Representative Brunk asked if there was an effort to direct inquiries to the internet to avoid the wait on a phone call.. Secretary Garner said that there was a news release right around Christmas time when it was starting to get worse. That is something that we could do better.

The Secretary then spoke of the Unemployment Insurance Modernization Project. On November 17, 2008 the KDOL implemented paperless payments with the use of debit cards. During the 2008 session the KDOL began electronic filing of Wage Reports and Tax Payments. They also began scanning all Unemployment Insurance Benefit files so that they could be routed electronically. In addition several improvements have been made to the Web site to improve online claims and tax filings.

Representative Palmer asked if the document imaging was done in house or being outsourced. Secretary Garner replied that it was being done in house with a software package called "filenet".

Representative Ruiz asked how many workforce development centers there were statewide. The Secretary said that they were under the jurisdiction of the Department of Commerce and he did not know how many but commented that the number has been reduced the last few years.

The Secretary then spoke of several other activities in the Department. Among these are the Labor Market Information Services, the Kansas Labor Information Center on the website, the 2008 Kansas Economic Report and other publications.

He continued by speaking about Workers Compensation saying that it remains very stable in Kansas. The injury frequency rates continue to be down in Kansas and are lower than the national average. He closed his comments by speaking about the 2008 Oregon Study, the Workers Compensation Advisory Council and the number of businesses in Kansas that have achieved the SHARP designation for safety and are exempt from OSHA inspections. Kansas has the second highest number of SHARP businesses in the United States, second only to the State of Texas.

The Chairman asked if the Secretary could report back to the Committee in two weeks to see what kind of

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progress was being made on these projects. The Secretary said that he would be glad to do that.

The next meeting is scheduled for January 27, 2009.

The meeting was adjourned at 10:15 a.m.

COMMERCE & LABOR COMMITTEE

DATE: 1-21-09

NAME	REPRESENTING
Wil Leiker	KS AFL-CIO
Shay C. Diel	Ks Real Estate Comm
Muttu Bop	Intern Rep. Bethell
Luke Bell	KS Assoc. of REALTORS
Diane Minear	Sec. of State
Andy Sanchez	KS AFL-CIO
Inayat Noormohamad	Kansas Department of Labor
Jim BARNER	KDOL
Wayne Mawhus	KDOL

**Testimony before the
House Commerce and Labor Committee
Jim Garner
Secretary of Labor
21 January 2009**

Chairman Brunk and Members of the Committee:

Welcome back and thank you for providing me the opportunity to present an 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 free 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 and industries in Kansas. The agency also oversees the Public Employers and Employees Relations Act and the Public Negotiations Act. Our customers are the 73,000 employers and the over 1.4 million workers in Kansas

Important Statistics

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.

Given the difficult economic times our nation is in, I do wish to highlight and discuss some of the labor market information I have provided in the attachments to my testimony. The November unemployment rate was 4.8 percent, up from 4.4 percent last month and up from 3.8 percent last year. In CY2008, Kansans filed more than 178,000 initial claims for unemployment, a 24 percent increase from 2007. Claims between September and December of 2008 increased more than 65 percent when compared to the same time last year.

In 2008, we paid \$321 million in unemployment benefits to out-of-work Kansans. These payments are critical for our laid off workers, but they also help businesses by providing a cash infusion for the state economy.

Emergency Unemployment Compensation Act of 2008 (EUC 08)

In response to the worsening economic situation, Congress enacted an extension of unemployment benefits. In July 2008, President Bush signed the Emergency

Unemployment Compensation Act of 2008 (EUC 08). This new law provides unemployed workers who meet certain eligibility qualifications an additional 13 weeks of UI benefits after exhausting their regular UI benefits. The benefits provided under this program are federally funded and do not affect the balance of the state's UI Trust Fund. Also, employers' state UI accounts are not charged for these extended benefits. On November 21, 2008, the President signed a second extension of EUC, providing an additional 7 weeks for Kansas claimants exhausting benefits. The two EUC programs together provide a total of 20 additional weeks of UI benefits to qualified claimants. There will likely be another extension passed by Congress soon. As of January 3, 2009, KDOL has processed 18,967 EUC applications, issued 77,429 payments under the program, totaling \$39,320,794 in extended benefits.

Unemployment Insurance Trust Fund

There are many states dealing with a severe depletion and possible insolvency of their UI Trust Funds. I am pleased to report that the Trust Fund in Kansas is in very good condition. Each year I must certify the solvency of the trust fund to the Governor. Attached is a copy of my letter and report. Currently, the fund has a balance of \$566.5 million. I have also shared this information with the Employment Security Advisory Committee (ESAC). The ESAC is a council representing business, labor and the academic community and is charged with advising the Secretary of Labor on matters concerning the UI Trust Fund and any proposed changes to the Employment Security Laws. Attached is a roster of the current members of the Council.

Unemployment Tax Reductions Remain in effect

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

In 2007, Kansas employers realized \$83 million in savings due to the reduced UI tax rates. The reduced rates continued in effect in 2008 and employers kept \$97.1 million because of the reduced rates. These are real tax savings to most employers in Kansas.

Due to the continued health of the UI Trust Fund and the fact that it has maintained an acceptable measure of solvency, the reduced tax rates for positive balance employers will continue for another year. We estimate that employers will save about \$106 million in 2009.

Call Center Operations

Some of you have likely heard from your constituents about their experiences in filing for unemployment benefits. Due to the significant increase in lay offs and demands for unemployment benefits and the two new federal extensions of UI benefits, our call center has been overwhelmed with calls. Increased inquiries regarding both regular unemployment and extended unemployment programs are causing an average wait time of 25 to 35 minutes to speak with a claims representative. Also, due to a high volume of calls, some individuals are not able to get through and have to call back more than once.

Although our federal unemployment budget is tight, we have recently hired 10 new staff members to take unemployment claims and we will soon be hiring more staff. We also have staff working overtime on evenings and weekends to process the claims that have been filed. We are working to improve our Web site to make it easier for people to file their claims online.

I know that many of you have heard from constituents who have questions about unemployment. If you have questions that you would like to speak to me about, please feel free to contact my office directly at 785-296-7474.

Unemployment Insurance Modernization Project

We continue to make progress on the project to revamp the processes and technology that support our state unemployment insurance system. We are dealing with the challenges that come with a project of this magnitude but we continue to move forward.

Let me share some of the recent accomplishments of the project:

Debit Cards – On November 17, 2008, KDOL implemented paperless payments as a part of the UIM project. We now make all payments using debit cards and no longer print paper checks. This change means significant savings for our agency by eliminating warrant stock and reducing mailings. The transition from checks to debit cards has gone pretty smoothly. Of course, we have heard from a few individuals that simply do not like the concept of debit cards. We have also developed a flier with some basic debit card information that we have distributed to labor union halls and workforce centers. I have included a copy of the flier with my testimony.

Electronic filing of Wage Reports and Tax Payments -- During the 2008 session, a new law was passed requiring certain employers to file their quarterly wage reports and pay their UI taxes electronically. This law change was recommended as part of and made possible due to the UI Modernization project. Beginning July 1, 2008, all employers and third party administrators with 250 or more employees were required to file their reports and taxes electronically. This has been a very quiet and smooth change. After July 1, 2009, all employers with 100 or more employees will be filing their reports and taxes electronically.

Document Imaging -- We receive thousands of paper documents each week that must be manually routed from office to office as we process UI claims and employer taxes. Last spring, we began scanning all historical UI benefits files and creating electronic images of some incoming documents as well. By having electronic images of our files, we can route documents electronically saving both money and time. We are now scanning about 20,000 images per day -- 100 percent of our incoming UI tax information and about 25 percent of the incoming benefit information. By the end of the fiscal year, 100 percent of all incoming documents will be scanned and electronically routed.

Customer Service Projects – We are in the process of making changes to our Web site to improve online claims and tax filing. Some of the changes planned for our Web site in

the coming weeks include address updates for claimants, online registration of new tax accounts for employers and the ability to reset usernames and passwords.

These are just a few highlights of the work we've completed in the last year. I will continue to update you as we make more improvements that will benefit our customers.

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.

New KLIC online service - This fall KDOL added a new feature to our agency's web site – the Kansas Labor Information Center (KLIC). You can find this online at:

<https://klic.dol.ks.gov/>

This new service allows users of our labor market data to gather and compile this data in a manner and format that best meets their particular needs and purposes. It allows users to produce customized reports of key data on our Web site. Users, such as economic development specialists, educators, career counselors, researchers and policy makers, can create area profiles for particular counties, gather data on income and wages by area, occupation or industry and create reports on specific occupations. We intend to continue to build on this new resource. It is a way to make the data we collect more accessible and meaningful. It is a major improvement in our Labor Market Information services.

2008 Kansas Economic Report -- On Labor Day 2008, we produced the second annual *Kansas Economic 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/economicReport2008.html>

This report provides valuable information about the key economic indicators that influenced Kansas' economy in 2007 including trends in employment, unemployment and several industry sectors 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 policymakers.

Other publications -- We have produced our popular products, including the *2008 Job Vacancy Survey* and the *2008 Wage Survey*. summer we released the *2004-2014 Occupational Outlook*. I have included brochures on these reports in your materials. The *Outlook* is a long range projections report prepared every two years and takes a base year of actual occupational data (in this report 2004) and projects future demands for various occupations ten years out (to 2014). We use a nationally accepted methodology developed by the Projections Managing Partnership and approved by the USDOL. The report indicates that five of the top 10 growing occupations that require an associates degree or some type of vocational certification are in health care-related fields. Three of

the top 10 growing occupations requiring a bachelor's degree or higher education are teachers. I have enclosed brochures concerning this report.

Workers Compensation

Members of the committee will soon receive a copy of the FY2008 statistical report from KDOL's Division of Workers Compensation. Some highlights from the report are that the agency received more than 72,000 injury reports, processed 15, 556 applications for hearings, responded to 54,000 requests for workers compensation histories and recovered \$303,000 in restitution and penalties. Our Ombudsman section provided information to 23,000 partners.

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.

2008 Oregon Study – Every two years, the state of Oregon produces one of the best comparison reports on workers compensation premium costs amongst the various states. The most recent report was released in October 2008. On a scale of 1 to 51 (with 1 being the highest costs and 51 being the lowest), Kansas ranks 42nd in the nation on premium costs. Kansas' premium rate index is \$1.77 per \$100 of payroll, or 78 percent of the national median, which is valued at \$2.26 per \$100 of payroll. I have enclosed a copy of the report's summary.

Workers Compensation Advisory Council – The Council is created by statute and is charged with monitoring workers compensation issues in the state. They are asked to both review proposed legislation and make recommendations to the Legislature. During the interim, members of the Joint Committee on Economic Development asked the Council to make recommendations for legislation in light of the Supreme Court decision in Casco. The Council met on November 3, 2008 and appointed a subcommittee to meet and work on the issues as requested by the Joint Committee. The subcommittee met on November 20, 2008 and again on January 5, 2009. Following these meetings, there is still no agreement on any recommendations for changes to laws or policies.

Increased use of Electronic Communications — This year, we have improved our efforts to provide as much electronic information as possible to workers compensation stakeholders. A few of our key projects include:

- *Proof of coverage online*: The web-based coverage verification service allows external users access to coverage information through the Kansas Department of Labor Web site. We averaged 1,328 searches and 898 detailed inquiries per month for FY 2008. Kansas was the third state to develop such a system. It is now utilized by more than 20 states.

- *Electronic Data Interchange (EDI)*: By the close of fiscal year 2008, more than 40 trading partners, sending on behalf more than 200 insurance carriers and 20 self-insured employers, were using EDI to send injury reports. The average weekly volume of EDI first reports of injury constitute 36 percent of the total number of accident reports filed (the total includes paper and EDI reports). This number ought to increase substantially this current fiscal year with two large reporters, the Kansas Association of School Boards (KASB) and the Kansas State Self-Insurance Fund, moving into the EDI program.
- *Research Requests*: We responded to more than 54,000 research requests during FY 2008. The research involves computerized and hard copy files containing the histories of injured workers. We are currently building a secure, internet based, web site for the research unit to download to customers digital versions of the files as a more effective and timelier option for handling these large number of requests.
- *Hearing notices*: Beginning January 1, 2008, we began sending e-mail notices of hearings. This has saved thousands of dollars in postage and paper expenses, as well as providing more timely hearing notifications. We receive email addresses from approximately 90 percent of employees, employers, insurance carriers, and attorneys. The applications unit strives to research and process all preliminary hearing applications within three days of receipt.

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.

This past year saw a significant accomplishment within our Division of Industrial Safety and Health. Kansas recognized the 100th work site in the state 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. Kansas now has the second most SHARP worksites in the nation.

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 work hours 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 2008.

We also conducted an outreach program this year targeting 310 high risk employers to receive information about our free safety consultation program. Approximately five percent of these indentified employers have taken advantage of our services.

For the second year, KDOL partnered with the Kansas City Area Builders Association to sponsor their safety awards program. The Builders' Association delivers safety training to over 4,500 employees annually. KDOL, along with OSHA and the Missouri Department of Labor, assists them in judging the quality of the training programs

Conclusion

I hope this brief, yet thorough, account 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:

- Labor Market Information
 - Status of the UI Trust Fund
 - UI Number of Initial Claims
 - Amount of UI Benefit Payments
 - Final UI Benefit Payments
 - Weekly UI Claims by Industry
 - Mass Layoffs
 - Nonfarm Employment
 - Unemployment Rate
- Job Vacancy Survey brochure
- Wage Survey brochure
- 2004-2014 Occupational Outlook
- Trust Fund Certification Letter
- Employment Security Advisory Council Members
- Debit Card Flier
- KSafe recipients for 2008
- SHARP comparison by state
- SHARP recipients for 2008