

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 system. If it is very good you would have zero unemployment taxes and would increase to the low end of

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

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The next meeting is scheduled for January 27, 2009.

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