

MINUTES OF THE COMMERCE AND LABOR.

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

All members were present except: Representative Doug Patterson, Unexcused
Representative Rick Rehorn, Unexcused
Representative Dale Swenson, Excused

Committee staff present: Jerry Ann Donaldson, Kansas Legislative Research Department
Renea Jefferies, Revisors of Statutes Office
June Evans, Secretary

Conferees appearing before the committee: James Garner, Acting Secretary, Kansas Department of Human Resources
Philip S. Harness, Acting Director of Workers Compensation, KDHR
Bill Layes, Chief of Labor Market Information Services, KDHR

Others attending: See Attached Sheet

Chairman Dahl opened the meeting and welcomed everyone to the joint committee. The House accommodated the Senate by meeting at 8:30 a.m. Mr. James Garner was introduced and welcomed back to the Statehouse in his new capacity as Acting Secretary of KDHR.

Secretary James Garner stated he and his staff appreciated the opportunity to appear before the committee. This is Mr. Garner's 4th full day on the job, is still on a very fast learning curve, but has some really good people that know their stuff who will be briefing the committee today. Claude Lee is Deputy Secretary of KDHR and has many years of experience and knowledge. Philip Harness from the Division of Workers Compensation will share information about data that division collects; then Bill Layes, Chief, Labor Market Information Services will review the Reed Act and the Kansas Employment Security Advisory Council. Secretary Garner also mentioned that Marge Baker, Chief, Benefits Unemployment Insurance, was in the audience and has provided some pamphlets on how the unemployment insurance process works. KDHR could later do a presentation on the agency website if we can find a DSL hookup in the building. Secretary Garner offered having someone from the Appeals Division discuss the backlog of appeals cases that the agency presently has.

Philip S. Harness, Acting Director of Workers Compensation, KDHR, gave an overview of why the Division is required to collect data and what the Division has done to meet this requirement. Pursuant to the statute, the Director shall compile and publish statistics to determine the causation of compensable disabilities in the state of Kansas, and compile and maintain a data base of information on claim characteristics and costs related to open and closed claims. The requirements of the statute were discussed in a 1999 Legislative Post Audit report. EDI is a computer-to-computer filing procedure that uses a standard universal format. This eliminates time spent in "telephone tag," paper handling, filing, storage and mailing costs. The strategic benefits include: (1) improved quality and speed of operations, (2) reduced operating costs, and (3) improved trading partner

relations by assisting in reduction of costs and improved operations, timeliness of reporting, and more productive business activities (See Attachment #1). (NOTE: Workers Compensation 28th Annual Report is filed in the Chairman's office)

Bill L Hayes, Chief of Labor Market Information Services, KDHR, reviewed the Kansas unemployment rates, the status of the Kansas Unemployment Insurance Trust Fund and the Reed Act distribution. The unemployment rate for November 2002 was 4.5 percent. It is estimated the annual average unemployment rate for CY 2002 will be 4.5 percent compared to 4.3 percent for calendar year 2001. The estimated annual average unemployment rate for the Wichita area is 5.6 percent. The Kansas Unemployment Insurance Trust Fund (UITF) is solvent and in no immediate danger. On December 31, 2002, the Kansas UITF totaled \$410.9M; this includes a \$78.2M Reed Act distribution from the federal government. The December 2001 figure was \$466.0M. The year-end trust fund balance peaked in 1994 at \$723.8M. The Unemployment Insurance tax moratorium, in effect from 1995-1999, produced declining reserves through 1999. The fund rose in 2000 with the return to taxation, but declined in 2001 with the downturn in the economy and accompanying increase in benefit payments. During CY2002, KDHR paid \$359.8M in benefits – nearly double the \$182.4M received in contributions. Barring a marked improvement in the Kansas economy, or legislative intervention to bolster revenues, the fund is not expected to grow.

Reed Act Distribution. In March 2002, a federal Reed Act distribution of \$8.0B was made to the states. This distribution was a result of the economic stimulus package adopted by Congress (Public Law 107-147) and signed by President Bush on March 9, 2002. Kansas received approximately \$78.2M; these funds rest in the Kansas Unemployment Insurance trust fund. There are federal guidelines for using Reed Act funds (See Attachment 2).

The Chairman thanked the Secretary and staff for their reviews. The meeting adjourned at 9:30 a.m. The next meeting will be January 22, 2003.

CONTINUATION SHEET MINUTES OF THE HOUSE COMMITTEE ON COMMERCE AND
LABOR ROOM 521-S at 9:00 a.m. on