

MINUTES OF THE SENATE BUSINESS AND LABOR COMMITTEE

The meeting was called to order by Chairman Susan Wagle at 8:30 a.m. on March 11, 2010, in Room 548-S of the Capitol.

All members were present.

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant
Mr. Reed Holwegner, Kansas Legislative Research Department
Ms. Kathie Sparks, Kansas Legislative Research Department
Mr. Ken Wilke, Kansas Office of the Revisor of Statutes
Mr. Norm Furse, Kansas Office of the Revisor of Statutes

Conferees appearing before the Committee:

Mr. Denny Stoecklein, General Manager, Kansas State Fair

Others attending:

See attached list.

Hearing on SB364 - an act concerning the state fair board; authorizing the purchase of workers compensation insurance.

Upon calling the meeting to order, Chairperson Wagle said they would be having a hearing on SB364 and called on Mr. Ken Wilke, Kansas Office of the Revisor of Statutes to explain the bill, who stated the bill sets up a mechanism where the State Fair Board would be authorized to purchase workers compensation insurance itself, and if they do so, they will sever the connection with the workers compensation liability pool that all state agencies are tied to at the present time.. He said:

- New Section one does have a technical error in the dates including: January 1, 2010 should be 2011. On line 29, the 2009 should be 2010, and on line 34, the 2010 should be 2011.

-The bill allows the State Fair Board to go out and buy workers compensation insurance which would be independent of the insurance and bonds committee that state agencies have to go through now if they want insurance that is separate from what they have now. They would have to go through the bidding process as mentioned in subsection (b). Subsection © allows them to investigate the possibility of acquiring the insurance and initiate the procedures to do so but the insurance cannot go into effect until January 1, 2011. Subsection (d) basically provided if they do so then they have to notify the Secretary of Administration of the effective date of the workers compensation policy and this would trigger their removal from the state work comp pool.

- Section two is a linkage to the appropriate statute governing the workers compensation pool and what you see on line two, page 2 is an exception that would take the State Fair Board out from underneath the definition of state agency for that work comp pool and down on page 3, lines 31 through 33, that provision is set up so that if the state fair board does go ahead and acquires workers compensation insurance as outlined in this act, then they are no longer covered under the workers compensation pool.

He did say that this bill has been set up so that it is a one-way situation, i.e., that if they elect to get workers compensation insurance in the open market, once they go that route, they are locked in, and would basically have to have legislation to put them back under the state pool. This was to avoid flip flopping on a yearly basis.

Questions came from Senators Kelsey, Brownlee, Wagle, Emler and Schodorf including: If this is such a good deal for the State Fair Board, are there other state groups that it might be a good deal for? Answer: Did not know. What is there experience, did they have a number of work place injuries? Answer: He would defer to the conferee.

To address Senator Kelsey's questions, Senator Emler said this actually came up when the Joint Building Committee was visiting with the State Fair Board who was providing them information and

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the huge difference between an open market price and the State. Normally there is a commercial 3-year look back and the state has a 5-year look back and that affects why it is so high for the fair board now because of this and this is why he asked for legislation to be drafted, stating there may be others out there. He said maybe there are others out there, if so, with the private market being better than the self-insurance, then they should take a look at this.

He went on to say that the conferee to testify today was before Senate Ways and Means and the State was supposed to be putting in bond payments of \$300K per year and they have not done that and they need \$225K to meet their bond payment for the coming year. This savings could help them make that bond payment. So they need to ask if the State is not cost benefitting themselves then why are they doing it and this is one clear example. Senator Schodorf followed up saying on a side note, the same thing happened with the Fort Hays. They had saved \$800K & there was a \$1.1M difference by just finding a lower bid outside the State system.

The Chair stated there is a bill in the House and passage of it would help with the budget problems so she wanted to have a hearing on this bill and not work it and see if they would get the bill over from the House, but the Committee should be educated for whatever they had to do at the end of session to make sure they provide some relief.

She then called on the only conferee to testify, Mr. Denny Stoecklein, General Manager, Kansas State Fair, who stated this bill would give their Board the authority to purchase workers compensation insurance independent of the committee on surety bonds and insurance and would accomplish this utilizing its existing resources and by bidding such coverage through the Division of Purchases.

He went on to say their board has expressed concerns to its legislative budget committees regarding the significant increase., it has experienced in workers compensation insurance premiums. (Ex. \$33.8K in FY09, \$101.7K this fiscal year, and a \$120.0 projection in FY11.) By comparison, the State Fair Board obtained a quote of approximately \$19K from the private market so should this legislation pass, it is expected to save the State Fair Board approximately \$100K in each of the next two fiscal years. (Savings beyond that date is difficult to estimate as it is not known at this time what the cost would be through the State.)

Lastly, he said as mentioned by Chairperson Wagle, **HB2658** was heard last Thursday, and even though the Committee was very supportive, they have not taken action yet, but one thing they did revise the effective date to July 1, 2010. A copy of his testimony is (Attachment 1) attached and incorporated into the Minutes as referenced.

Questions came from Senators Brownlee and Wagle including: do you have any safety programs implemented? Answer: They have an ongoing program and KDOL comes in and does periodic training. To clarify, you don't cover the individual vendors. Answers: Only our full time and seasonal people the Fair hires.

Adjournment

The Chair stated they would monitor the House bill and since there is no further business or discussion, she adjourned the meeting. The meeting was adjourned at 9:15 a.m.

The next scheduled meeting is on call of the chair.



March 11, 2010

Senator Susan Wagle
Chair, Senate Business and Labor Committee
300 SW 10th Ave., Room 237-E
State Capitol
Topeka, KS 66612

Senator Wagle and Members of the Committee:

Good morning, Madame Chairwoman and members of the Committee. My name is Denny Stoecklein, General Manager of the Kansas State Fair.

I'm here today to speak in favor of SB 364. SB 364 would give the state fair board the authority to purchase workers compensation insurance independent of the committee on surety bonds and insurance.

The state fair board would accomplish this utilizing its existing resources and by bidding such coverage through the Division of Purchases.

The state fair board has expressed concern to its legislative budget committees in recent years regarding the significant increase it has experienced in workers compensation insurance premiums. The state fair board paid \$33,823 in FY09, will pay approximately \$101,724 in this fiscal year, and is projected to pay \$120,011 in FY11. It is expected the rate will continue to be at least at this level through FY 2012.

By comparison, the state fair board obtained a quote of approximately \$19,000 from the private market. Should this legislation pass, it is expected to save the state fair board approximately \$100,000 in each of the next two fiscal years. Savings beyond that date is difficult to estimate as it's not known at this time what the cost would be through the State.

Senate Business & Labor Committee
Date: March 11, 2010
Attachment 1

The state fair board recognizes it incurred two significant incidents in 2004 (FY 2005) that are now being utilized in its calculation. However, it is confident that even with this adjustment the rate is higher than it would be able to obtain on the private market, which conducts a three year look-back when determining rates as opposed to the five year look-back the State is utilizing.

I thank you for the opportunity to share this information and would be happy to stand for any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Denny Stoecklein". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Denny Stoecklein
General Manager