

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairman Susan Wagle at 8:30 a.m. on January 19, 2011, 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. Dorothy Noblit, Kansas Legislative Research Department
Mr. Ken Wilke, Kansas Office of the Revisor of Statutes

Conferees appearing before the Committee:

Mrs. Karin Brownlee, Acting Secretary, Department of Labor
Mr. Inayat Noormohmad, Director, LMIS & UI Divisions

Others attending:

See attached list.

Handout

Upon opening the meeting, Chairperson Wagle referred the Committee to the first sheet before them entitled, "Federal Advances on UI Loans", that was put together by Ms. Kathie Sparks, Deputy Secretary, Department of Labor in response to a request from the Chair during the January 13, 2011 meeting. The sheet lists all of the states that have borrowed funds from the US Treasury and how much they have borrowed. A copy of this handout is (Attachment 1) attached hereto and incorporated into the Minutes as referenced.

Introduction of bills

The Chair then called on Mrs. Karin Brownlee, Acting Secretary, Department of Labor, who requested the Committee introduce legislation before testifying. She stated some type of surcharge is needed to collect the interest due to the US Treasury in September of this year, and as they currently do not have a mechanism to collect this surcharge, this conceptual bill would be based on the work this Committee did last year to stabilizing the fund and meet the Federal requirement to pay back the loan.

Lastly, she has asked Mr. Inayat Noormohmad, Director, LMIS & UI Divisions, DOL to work on answering the following question, if we were to reduce the waiting week and the trailing spouse would that help reduce what employers have to pay?

A motion was made by Senator Steineger that the Committee introduce the proposed legislation. It was seconded by Senator Masterson and the motion carried.

Overview of the Department of Labor

Acting Secretary Brownlee then began her testimony listing the agency's responsibilities including the Unemployment Insurance Program, workers compensation, oversees job safety for public employees, and employment standards (ex. enforces the employment laws for Kansas.)

Regarding the Unemployment Insurance Program (UIP), in 2010 through State and Federal programs, the DOL paid out nearly \$1.2 billion in unemployment benefits to out of work UI claimants. She knows the benefits are critical for workers but the goal is to get people back to work in the private sector.

She offered a chart entitled, "What unemployment benefits are available" that outlines the progression of UI Benefit programs including:

1. Regular Programs – 26 weeks
2. Emergency Unemployment Compensation (EUC)
 - Tier 1 – 20 weeks
 - Tier 2 – 14 weeks

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- Tier 3 – 13 weeks

3. State Extended Benefits (EB – 13 weeks*)

(*EB will trigger off and cease to be available when the average seasonally adjusted total unemployment rate for the most recent three months period falls below 6.5%.)

Also, through the American Recovery and Reinvestment Act (ARRA) and the State and Federal programs, the maximum number of weeks of benefits available to UI claimants has reached 86. These were all additions to unemployment benefits which carried out Federal policy.

She went on to say with this unprecedented workload, it has created significant challenges to the Call Center. On Monday, January 10, the Call Center had over 24,000 forced disconnect phone calls and completed about 1500. They implemented a plan to drive more people to the internet creating GetKansasBenefits.com, making more phone lines available to first time claimants. They have a federal guideline to pay timely. This week, on their first day they answered 1,430 calls, their forced disconnect calls fell to 1,061, and with the increased traffic to the internet there were 1900 forms submitted on line. They are also looking at creating an evening shift. Also in creating Get Kansas Benefits on their website they noticed so much text it makes it difficult to use, so this is another project they will be redoing.

The Chair asked:

1. A question that ties the Call Center to the benefits, there was another extension of benefits recently passed, does this chart reflect that extension or did I hear you say that Kansas did not qualify for the last extension? (This reflects the extension of the three tiers only, we did not qualify for the fourth.)

2. Does the extension of the benefits from the federal government increase phone calls with people possibly thinking they might extend their benefits? (There are sets of questions we are trying to answer and steer people on line to look for those frequently asked questions (located under “Emergency Unemployment Benefits.) Is the trend of overall volume of new claims going down? (The problem is in January, we typically have an up swing but otherwise we are at 377.)

The Chair recognized Senator Merrick who asked how our benefits compare to other states, or is that determined by the federal government? (Referred the Committee to the sheet entitled “Unemployment Insurance Average Weekly Benefit Amount” and ranking states highest to lowest the average benefits for 2009, 2010 is not yet available. (Ms. Sparks said to remember benefits are tied to your threshold, meaning you have to have a higher income in Kansas to qualify for any benefits and the minimum threshold is higher in Kansas than most other states.)

A discussion ensued with Senators Masterson, Lynn, and Steineger, Ms. Kathie Sparks, Deputy Secretary, DOL and Mr. Inayat Noormohmad, Director, Labor market Information services (LMIS) & UI Divisions, DOL, and Acting Secretary Brownlee:

1. The Chair asked about part time or low wage employees? (In terms of looking at calculating your unemployment benefits, we look at the base period wages. There is a minimum qualification because your minimum weekly amount of benefits is \$108 and you have to have earned a certain amount which is 108 X 30, which is about three thousand plus dollars in one quarter in the past five quarters to qualify to receive unemployment benefits.) Who sets this threshold? (It is state policy.) A comment was made, if you are that low of an income level you are most likely on other forms of assistance than unemployment which would be unnecessary.

2. The Chair commented that on this sheet of paper the benefits are high for Kansas and we are being told that in comparison to other states they are low. We are hearing from employers saying their employment costs are much higher than other states. (Texas is different from every other jurisdiction in that they bond everything so the employer has a longer period of time to pay that amount out. The Committee was then referred to Attachment 1 as Texas may not be a fair comparison.)

3. Referring back to the chart, Unemployment Insurance Average Weekly Benefit Amount, Senator Steineger feels there should be a sheet 2 and sheet 1 showing the threshold qualifications so you could compute and look at sheet 2, saying this is not a request, but might be easier to understand. (As this whole

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process is confusing, staff would offer a UI workshop with Ms. Sparks and Mr. Noormohmad assembling Q & A ahead of time.)

Continuing on with her testimony, Acting Secretary Brownlee covered the Unemployment Insurance Modernization (UIM) project which is a \$50M computer rebuild project, and despite the fact that six years have passed, the ultimate goal that began back in 2004 has not been reached. She did, however, share some of the accomplishments of the UIM project including:

1. UI debit cards – we got out of the check-writing business. Estimated saving of \$300,00 annually, however given the surge in unemployment claims, the saving has topped 41M in the first year. (2008.)
2. Federal New Hires Fraud Cross-Match- again in 2008, they implemented and began cross-matching federal new hires data to the state new hires fraud match program increasing the possibility of detecting fraud.
3. Automatic Registration - if you apply on line or phone you are connected with the Kansas Workforce Centers and their services allowing the DOL to reach more individuals, re-train them, and get them back into the workforce sooner.
4. Customer service projects – added a customer survey to the online initial application.

With the above approaches, specific parts of the project have been implemented to assist the workload including:

1. Claimants able to update their address, phone number and e-mail address online, reducing the number of calls to the Call Center;
2. Can reset user name and password on line;
3. Streamlined the online process making it easier to understand and take less time to complete.
4. Implemented a fax service at the contact Center, electronically routing information faxed into the agency.

Next, regarding the Unemployment Insurance Trust Fund, she stated Ms. Sparks had testified before the Committee on January 13 on this issue. Ms. Sparks also covered the process of receiving Title X11 loans from the Federal Unemployment Account, the effect the recession has had on employer tax rates, and the impact of **HB2676** which amended the Employment Security Law regarding contribution rates, penalties, and interest. However, she said this interest-free provision in the bill may have negatively impacted some Kansas employers, as contributions paid after July 31st were not factored into the calculation of their account balance and consequently, the determination of their CY2011 tax rate. She recommends this provision which is currently in effect through CY2011, be considered by the Legislature.

Lastly she covered the Work Compensation Annual Statistical Report offering a chart showing “Kansas Total Occupational Injuries and Illnesses by Severity” and the work place safety and health programs including “The Safety and Health Achievement Recognition Program (SHARP) and the Kansas State Safety Award Program (Ksafe.) A copy of her testimony and handouts is ([Attachment 2](#)) attached and incorporated into the Minutes as referenced.

Questions and comments came from:

- 1.Senator Merrick suggested the Secretaries get together and decide as a group, what direction we need to go regarding the IT's, for example, do we all need our own programs? (Need to move to CLOUD computing where someone is creating a server capacity that you need and we need to get off the mainframe.)
2. The Chairperson asked how many ITs do you have for this \$40M computer? (72 plus an additional five in workers comp.) Has there been communication with payroll software companies, for example when

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filing corporate tax, the DOL form was rejected on each page, and when the software company was contacted, they said Kansas had not returned the call to tell them the form was acceptable. (Will check into this.).

As there were no further questions or discussions, the Chairperson recognized Mr. Noormohmad, who offered updates of the Labor Market Information Services (LMIS) and Unemployment Insurance (UI), Kansas DOL including charts showing:

- A. Total Non farm employment in Kansas & the U.S. (Jan.2000 to Nov. 2010)
- B. Manufacturing employment in Kansas &the U.S (Jan. 2001 to Nov. 2010)
- C. Seasonably adjusted unemployment rate in Kansas & the U.S. (Jan. 2000 to Nov. 2010)
- D. Unemployment insurance - initial claims by Program in Kansas (Jan. 2005 to Nov. 2010)
 - benefit payments by program in Kansas (2006 – 2010)
 - trust fund balance by month (Jan. 1994 – Dec. 2010)
- E. Lastly, a history on on the UI Divisions

A copy of his testimony is (Attachment 3) attached and incorporated into the Minutes as referenced.

Adjournment

The meeting was adjourned at 9:31 a.m with the next meeting scheduled for January 25, 2011.