

Approved: 3/1/07
Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:02 A.M. on January 31, 2007 in Room 231-N of the Capitol.

All members were present except:

Brenda Landwehr- excused
Delia Garcia- excused
Ronnie Metsker- excused

Committee staff present:

Jerry Ann Donaldson, Kansas Legislative Research Department
Dustin Slinkard, Office of Revisor of Statutes
Stephen Bainum, Committee Assistant

Conferees appearing before the committee:

Joseph L. Lahon, Legislative Division of Post Audit

Others attending:

See attached list.

The Chairman called for bill introductions. Sherry Diel, Executive Director of the Kansas Real Estate Commission presented three bills. One pertaining to expiration, suspension or revocation of real estate licenses. One pertaining to trade name or business name and one to change the qualifications for licensure of real estate salespersons and brokers. They were received without exception.

Phillip Hayes of the Kansas society for Human Resource Management introduced a payroll card bill. It was also received without exception.

Representative Jene Vickrey introduced a bill about the Franchise Practices Act. It was received without exception.

The Chairman introduced the guest speaker, Joseph L Lawhon, Principal Auditor of the Legislative Division of Post Audit. He presented a folder containing the Performance Audit Report, Reviewing Error Rates for Unemployment Benefit Payments.

He introduced the Audit by expounding the overview found on pages 3 through 9. The overview explains the requirements placed on people who are unemployed. The U.S. Department of Labor analyzes data provided by the state and reports overpayments of unemployment insurance benefits in four categories found on page 5 of the report. For this audit the Agency Responsibility Rate and the Annual Report Rate are important. He then explained these rates on the graphs found on pages 6 and 7.

Then on starting on page 9 the factors that contributed to the high overpayment rate for Kansas Unemployment Benefits were explored. The first reason was that unemployed workers did not register for job services, as required by State law, and therefore weren't considered to be eligible for the unemployment benefits they received. The other reason was the confusion caused by requiring workers to use two separate programs in two different departments. He explained the difference between the old way of applying for benefits and the methods now used. State law allows the Department of Labor to exempt certain groups from the registration requirement. The Department of Labor does not cut off benefits for those who do not register for job services.

Representative Ruff asked how the Department could be considered to not be following the law when the statute allows them to make the exceptions. The guest speaker said that he would get to that in his presentation.

Representative Grant said that we have not lost any money, we are just out of compliance. Joseph said that in the Audit review one third of the people were exempted from registering for services but two thirds were required to register and many did not so they were counted as an error.

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Representative Grange asked if there were not three ways to register. Joseph agreed they could register by walking in, by phone and by internet.

Joseph then explained who was required to register and who was exempted and why they were exempted. These procedures have been followed by the Department since 1980. This information was found on pages 10 and 11.

Representative Goico mentioned the many job service facilities available to unemployed people and asked if they satisfy the registration requirement if they are used. Joseph said that they did not look at that in the audit.

Joseph then stressed the key events that may have triggered the increased rates. These were found in the chart on page 13. He then listed the reasons people may not have registered for job services. One reason was that the process may be confusing to many people. Another reason is that the process is time consuming and duplicates information requirements and finally there is no deadline for registration in State law.

A new regulation made November 2006 increased the number of people exempted from registering with job services. This was seen to be a quick and legal way to bring the law into conformance with the Department's practices. The new regulation required only those considered to be the most at risk of having their benefits expire before they find another job to register. This seemed to the Auditors to be a negative in reaching the goal of helping unemployed workers find new jobs. Additionally the Department dropped the plan to automate the process.

Representative Pauls asked what was the actual change in the number of people registered for job services. This question was discussed by Joseph Lahon and Barb Hinton but no exact numbers were put forward.

Representative Huntington asked about the Job Service web site being with the Department of Commerce and people not registering there being counted as an error to the Department of Labor. Joseph said that was true and that the procedures were confusing to many people.

Representative Grange said the Department was merely requiring fewer people to register for job services.

Representative Ruff asked if the ten people called in the survey were the type of people who could deal with the requirements of registration. Joseph said that some were better than others. A couple of them presented themselves very well.

Representative Kiegerl asked how we could know that someone is looking for a job. Secretary Garner answered the question. He explained that this was a separate requirement. Every month they have to fill out a report indicating the places that they have applied for work. If they do not comply with that requirement their benefits are cut.

Joseph drew the committee's attention to the report on page 19. He stressed that other states surrounding Kansas required registration for job services and had deadlines for doing so or benefits would be cut. Their error rates are lower than the Kansas error rate. The Audit recommended that the Department revoke the administrative regulation and establish and enforce a registration deadline. For the long term the Audit recommended improvements in the computer programs.

Representative Huntington asked how the regulation could be responsible for the high error rate when it was only in place since November 2006. Joseph said they thought that with two computer requirements people were becoming confused and not completing the process. Additionally we will not know the results until 2006 is reported in August 2007.

Barb Hinton explained that only 1/3 of the most needy unemployed are required to register. This could cause a reduction in service to the unemployed. Registration does not cost and no other surrounding states have backed off registration.

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Representative Sharp asked if too much tax was being collected from employers. Joseph answered no to that question.

Representative Grant asked Joseph to explain the difference between the low fraud rate and the high error rate. Joseph explained that the reason the error rate was high was because the state was not enforcing the registration requirement and that was being reported as an error but it was not fraud.

Representative Grant asked what the result of the regulation of November 6 would be. Joseph said that it would drive the error rate down because fewer people would be required to register.

The Chairman invited Jim Garner to return tomorrow for his presentation and questions and adjourned the meeting at 10:24 A.M.