

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:15 A.M. on January 24, 2008 in Room 784 DSOB.

All members were present except:
Brenda Landwehr- excused

Committee staff present:
Jerry Ann Donaldson, Legislative Research
Dennis Hodgins, Legislative Research
Renae Jefferies, Office of Revisor of Statutes
Steve Bainum, Committee Assistant

Conferees appearing before the committee: Jim Garner, Secretary, Kansas Department of Labor

Others attending: See attached list.

The Chairman called for any Bill introductions. Representative Ruiz introduced a Bill about a Reciprocal Fee in Lieu of Union Dues. It was received without objection. Representative Humerickhouse introduced a Bill titled Full Licensure for Appraisers. It was also received without objection. Representative Goico requested that a Bill introduced in the 2007 session of the House Commerce and Labor Committee be given a hearing. It was the Bill requiring that the KPERS Retirement Fund be Divested of Investments in Iran. There were no objections.

The Chairman thanked Jim Garner, Secretary, Kansas Department of Labor for sharing a brief update of activities within the Kansas Department of Labor. His testimony was passed out to the Committee (**Attachment 1**).

Representative Tietze asked what the consequences were for misclassification of workers. Mr. Garner said that the penalties are those set out by the revenue statutes. It is the same penalties as those for late filing of taxes or failure to file. Representative Tietze further asked if it was true that the insurance companies which provide this insurance were given a 5% increase in rates even though claims had decreased. Mr. Garner said that the insurance companies had submitted a request for an overall 5.5% increase in rates and it was granted. Mr. Garner did not see how that was justified given the health of the market in Kansas. Representative Tietze thanked the Secretary for his efforts in dealing with the Technical Error problem from last year.

Representative Ruiz commented that the national unemployment rate was 5% and asked what the Kansas rate was. Mr. Garner replied that as of December 2007 it was 4.0%.

Representative Grant asked how much savings were realized because of the moratorium in the years 1995 to 1999 on the collection of unemployment taxes. Mr. Garner replied that during the 5 years of the moratorium the savings were 555 million and that since 1999 another 100 million has been added to the savings for a total of about 650 million dollars. Mr. Garner said that the committee should take more credit for this tax reduction because it doesn't get talked about in the Taxation Committee. Representative Grant asked for an explanation of the reserve fund. Mr. Garner said that a reserve was necessary to maintain the viability of the trust fund. The reserve fund in Kansas has never been too low to pay out unemployment benefits.

Representative Grange referred to a brochure that listed Fast Food Cooks as having the lowest hourly wage of \$6.81 and asked if there were any minimum wage earners in Kansas. Mr. Garner replied that the \$6.81 figure was an average and that there are people making minimum wage, particularly food preparation and server positions. The Federal minimum is \$5.65 and their tips are taken into consideration.

Chairman Brunk asked if the misclassification problem involved a particular group of companies or was it random. The answer was that the majority of them were in the construction industry. Mr. Garner promised to look up more detailed information for the committee on the problem.

Representative Goico wondered if the emphasis on safety awards created pressure on employees not to report injuries. This could be especially true in the construction industry where they do not have contracts or

CONTINUATION SHEET

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assurance of employment from day to day. Mr. Garner admitted that there probably were places where that did happen. He commented that intimidation would violate OSHA laws which require that there be absolutely no intimidation to avoid reporting injuries. He said that the department does go out and inspect the safety programs that the companies have.

Representative Metsker stated that there should be more companies in Johnson or Wyandotte Counties involved in the Sharp Safety Awards. The Secretary said that the companies have to decide to participate in the Sharp program. In the past the safety programs were "buried" in the Workers Comp division. They are getting more emphasis now.

Representative Kiegerl wanted to know how the Labor Department would get to know the companies that should be involved in the safety programs. Mr. Garner said that the safety program was only a year old and they had a lot to do to make the companies aware of it. He indicated that the Chamber of Commerce had indicated a desire to help get the information out.

Representative Huntington asked if the safety programs were taken care of by the HR department. The answer was that most HR departments were involved but it was usually a team effort. The HR department was a natural place for the program to be handled.

Chairman Brunk asked if the Labor Department was working on the disconnect that existed last year between the Departments of Labor and Commerce. Mr. Garner said that they have been in conversations and discussions with Commerce about the problem. There is a computer program called Autocoder which will look at your past employment and assign a code to it. Our plan is to incorporate it into our claims process so that when someone applies for unemployment benefits the Autocoder would identify what occupations they have worked and match that up with the job openings in the Commerce Department.

Chairman Brunk asked what the time frame was for that to be done. Mr. Garner said that it was part of the modernization project which they hoped to have finished by next year. The modernization plan had an 18 month time line and it should be done within that time frame. By this time next year it should be done.

The Chairman further asked about an explanation of the cross matching of claimants. Mr. Garner said that they have had for some time a cross match with the state new hires directory. So every time an employer in Kansas hires someone new they have to fill out a form and send it to us. This is going to be expanded to include the surrounding states new hire directories. Now that the Federal government is allowing us to link into the National Directory of New Hires we will be able to cross check for all new hires. We are also linking with the Department of Vital Records and the Department of Corrections.

Chairman Brunk thanked Secretary Garner for the good briefing and reminded the Committee that we are meeting on January 30th and 31st. The meeting was adjourned at 10:17 A.M.