



2012 Annual Report



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Message from the Secretary

The work we do at the Kansas Department of Labor has such an impact on people in a time of crisis – from losing a job and having to apply for unemployment benefits, to being injured while at work and needing workers compensation. The arduous work and patience of our employees to assist customers, enabled us to meet and exceed our goal of making customer service our top priority.



- KDOL faced a year of considerable change in 2012. Among those changes was the challenge of the contact center which answered some 8,000 more calls in 2012 compared to 2011. This was done with a 13 percent decrease in the number of agents answering calls. Given the stress our callers experienced in the job market, and in their attempts to reach us by phone, our callers needed patient, understanding and knowledgeable agents assisting them. Assessment scores for our Intake Agents were outstanding. Average calls answered per agent increased 24 percent in 2012.
- The Labor Market Information Systems (LMIS) launched a new section on the Kansas Labor Information Center (KLIC) website that provides online jobs resource for veterans; the website includes skills, education and resources for veteran employment. KanSERVE is part of an overall effort by Governor Sam Brownback to provide resources to veterans in Kansas. LMIS also created the Kansas Index of Leading Indicators for the Governor’s Council of Economic Advisors. The intention of the index is to signal changes in the business cycle.
- Approximately 83 percent of all employers file their unemployment taxes online saving time, labor and paper costs. Responding to paper-based unemployment insurance (UI) information requests fully and within tight deadlines creates a significant and costly administrative burden on companies today. The State Information Exchange System (SIDES) offered by the U.S. Department of Labor and KDOL provides employers and third-party administrators a secure, electronic and nationally-standardized format in which they can easily respond to UI information requests, attach documentation when needed and receive a date-stamped confirmation of receipt.
- The Division of Workers Compensation worked diligently to make many of their publications and forms available in digital and/or downloadable formats, saving the division more than \$100,000 per year.

This annual report is a brief summary of the programs and services delivered by KDOL in 2012. I hope you find the information in this report valuable.

Sincerely,

Lana Gordon

Secretary, Kansas Department of Labor

The many roles of the Kansas Department of Labor

The Kansas Department of Labor serves the people of Kansas in several ways, including:

- Administering the unemployment insurance program, processing benefit claims and collecting unemployment taxes.
- Overseeing the state’s workers compensation system.
- Offering free workplace safety consultations for private employers and overseeing job safety for public employees. This includes an inspection check list for all amusement park rides, at permanent or temporary locations.
- Enforcing Kansas employment laws, including child labor laws and the Wage Payment Act.
- Compiling data and performing research on the workforce and industries in Kansas. This included launching a new online jobs resource for veterans.
- Overseeing the Public Employers and Employees Relations Act and the Public Negotiations Act.

Our customers include more than 72,000 employers and 1.4 million workers in Kansas.

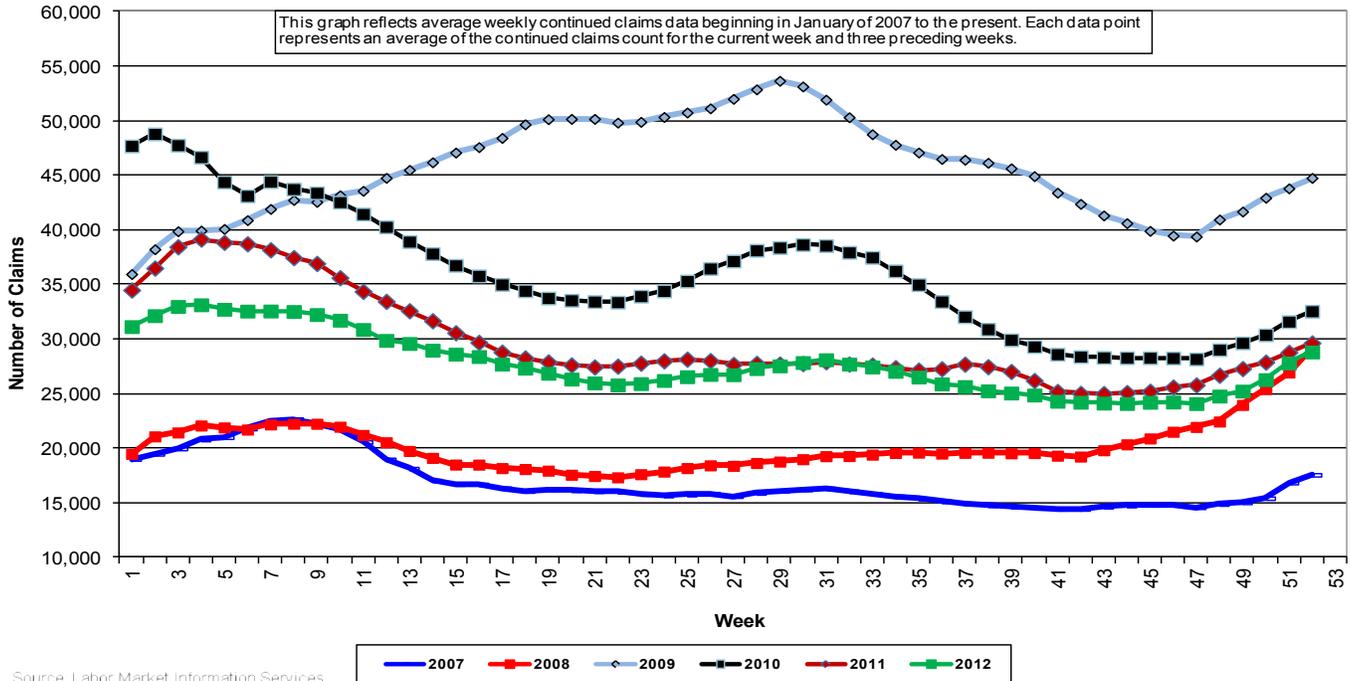
Unemployment Insurance Activities

A significant reduction in many of the Unemployment Insurance (UI) activities occurred in 2012. The lowest number of individuals received UI benefit payments since 2008. Furthermore, as employment and wages increased, the amount of contributions collected from employers in 2012 also increased. Tax rates remained static for all employers as required by House Bill 2676, allowing relief to employers as they continued to recover after the Great Recession. Approximately 50,297 positive balance employers received combined relief of more than \$86 million in 2012.

Kansas Unemployment Insurance - Key Highlights			
All Programs (Regular, EUC & EB)			
2011-2012			
	2011	2012	Percent Change 2011-2012
Initial Claims	249,815	210,085	-15.90%
Continued Claims	2,655,387	2,112,409	-20.45%
Individuals Receiving Payments	140,352	125,007	-10.93%
Contributions	\$408,510,251	\$417,434,022	2.18%
Benefit Payments	\$815,631,950	\$615,344,664	-24.56%
Average Duration (in weeks)	30.6	24.4	-20.26%

Both initial claims and continued claims declined from 2011, although they still remain high compared to prerecession levels. As the overall economy and the job markets improved in 2012, we saw sharp reductions in benefit payments and significant drops in the average duration that an individual received UI benefits.

**Weekly Continued Claims (4 week moving average)
Kansas
January 2007 - December 29, 2012**

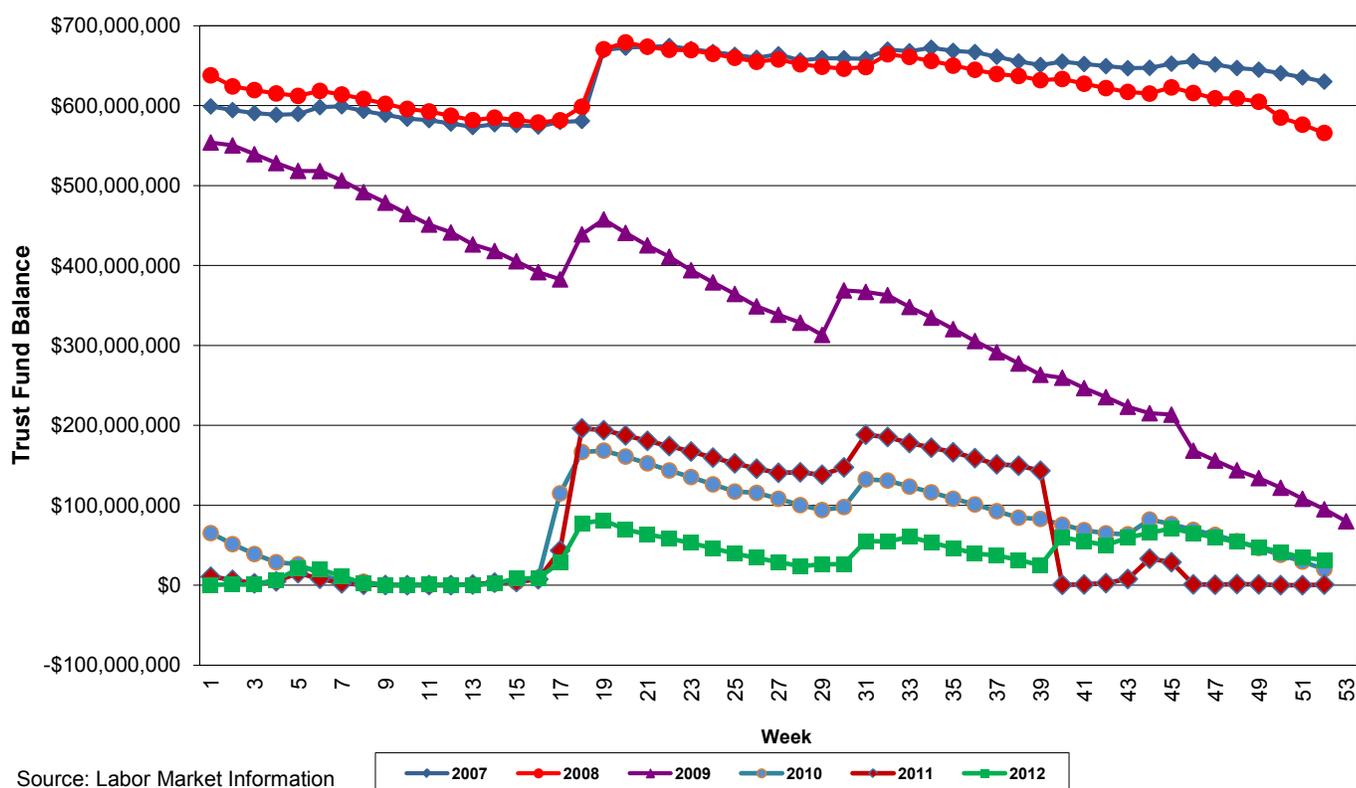


Source: Labor Market Information Services

Kansas UI Trust Fund

The Unemployment Insurance (UI) Trust Fund is funded by employers' payments through unemployment insurance taxes. Historically the UI Trust Fund has been very sound, but exceedingly high levels of unemployment throughout Kansas in 2008 through 2011 made it necessary for KDOL to obtain advances from the federal government. The agency first obtained loans from the U.S. Treasury in February 2010. Although the level of initial and continued unemployment claims in Kansas fell in both 2011 and 2012 after increasing significantly throughout the recession, claims were still higher than pre-recession levels, continuing the need for KDOL to obtain federal loans. In 2011, KDOL began making payments on the principal amount of the loan using any excess funds in the UI Trust Fund as they are accrued. This minimized the amount of interest paid on the loans. KDOL made two payments – one in October 2011 and another in November 2011. The third and final payment was made in May 2012, which paid the remaining loan balance. As the Trust Fund balance decreased throughout 2012, KDOL obtained a loan of \$40 million in October 2012. This loan was not obtained from the federal government, but rather through the Kansas Pooled Money Investment Board (PIMB). This allowed for interest accumulated on borrowed funds from USDOL in 2012 to be waived (approximately \$451,000) and also prevented the Federal Unemployment Tax Act (FUTA) tax credit reduction (0.3%) from going into effect, saving Kansas employers more than \$25 million.

Weekly Trust Fund Balance ^{1/}
January 1, 2007 - December 29, 2012



Source: Labor Market Information

^{1/} Trust fund balance includes outstanding loans issued from the Pooled Money Investment Board (PMIB).

Continued high levels of unemployment in 2011 prompted Kansas, and many other states, to take advantage of the special federally-funded UI programs – Emergency Unemployment Compensation (EUC) and Extended Benefits (EB). These programs allowed Kansas UI claimants to obtain up to 86 weeks of unemployment in 2011. As unemployment levels decreased throughout 2012, the weeks of available extra unemployment declined. Kansas ended the EB program on April 7, 2012, due to a declining unemployment rate, bringing the number of available weeks to 73. Kansas triggered off of EUC Tier III March 3, 2012, and ended Tier II on June 23, 2012. The EUC Tier I benefits are still available and offer up to 14 additional weeks of unemployment. With the current programs in place, UI claimants can obtain up to 40 weeks of unemployment throughout 2013.

Unemployment Insurance Contact Center

2012 was a difficult year for the Unemployment Contact Center. Calls exceeded 880,000; up 28 percent from 2011. At the same time, budgetary constraints led to a decrease in the number of agents answering calls; down 13 percent from the prior year.

This meant we had to become more efficient in our call handling process and better train our agents so they could more quickly resolve issues and move on to the next call. Average calls answered per agent increased 24 percent in 2012.

Given the stress our callers experience in the job market, and in their attempts to reach us by phone, our callers deserve patient, understanding and knowledgeable agents assisting them. Assessment

scores for our intake agents in January made an "A" grade. While we hate to brag, we will say our agents are among the best and brightest resources we have!

Seasonal layoffs and the uncertainty surrounding the future of the federally-funded Emergency Unemployment Compensation (EUC) benefits program led to a dramatic end of year spike. Nearly 40 percent of the total calls agents could take were made in the last three months of the year.

When the calls are answered, there are many processes that continue to require dedication and resources. Our Adjudications unit contacts both claimants and their former employers to determine eligibility.

In 2012, adjudications had 57,755 scheduled calls with new claimants or employers to verify information. A staff of 20 adjudicated these separation issues. These adjudicators combined to issued 126,474 non-monetary determinations for benefits. A non-monetary determination is issued when there is a separation issue from the claimant's last employment, or if there is a current eligibility issue which affects benefit payments.

Benefits established monetary entitlement for 1,170 federal claims and 1,611 military claims.

The 710(c) unit, which issues the charge or non-charge orders to the base period employer accounts, issued 48,300 determinations to employer accounts.

During the year, 118 employers participating in the Shared Work Program. An employer/business owner may use Shared Work in lieu of a temporary, total layoff of employees. It allows for a partial workweek and partial unemployment benefits for employees.

Unemployment Tax Administration

Approximately 72,000 Kansas employers are responsible for reporting under the State Unemployment Tax Act. Each employer is required on a quarterly basis to file a Quarterly Wage Report (QWR) which lists total wages earned for that quarter of the year for each employee of the business.

The 2011 improvements implemented by KDOL have made filing and paying unemployment tax (contributions) reports and payments easier. In 2012 an average of 80 percent of QWR filings were electronic. This figure exceeds expectations of the Kansas statute. KDOL UI Tax has stepped up employer communication and education efforts by participating in employer conferences around the state. The unit also has direct communication contacts for employers to assist in filing of Unemployment Tax QWRs or simply for questions. This personal service has been noticed by state and particularly out-of-state employers, as they indicate they love dealing with Kansas UI Tax. They can get the help they require, normally on the first call. They are surprised, in this age of technology, that an agency still can be reached easily.

In 2012, the Contributions unit received a total case load of 60,430 assignments and case investigations with a total workforce of 33 auditors. This work load constitutes employer investigations for liability determinations, misclassified worker investigations, collections, delinquent employer reports, business audits and miscellaneous assignments relating to employer accounts. The unit was able to complete a total of 62,220 cases, which cut into the backlog that existed since the 2011 layoffs and retirements. Business audits for 2012 also increased by approximately 20 percent. With this concentration, the unit was able to discover 2,002 additional unreported or misclassified employees, involving 489 different employers. The discovery created an additional

total wage reporting of \$12,533,038 and a taxable wage figure of \$6,297,360. The additional tax due calculated to \$266,230, which supplements the UI Trust Fund balances. The discovered wage figures are an accumulation through November 30, 2012. UI Tax was able to accomplish this goal with an almost entirely new staff. The unit experienced a high turnover due to 2011-12 layoffs and retirements. It was able to hire, train and carry out the expected duties in an exceptional manner.

Quality is always a focal point and this unit is meeting performance with exceptional quality standards. The Federal Tax Performance System Review (TPS) is the annual performance review for all UI Tax programs. We exceeded expectations again in 2012 with greater than 98 percent in audit quality standards. The unit expectations are set high on all auditors and mediocre performance is not acceptable. Reviews validate at regular intervals that standards are adhered to and exceeded.

UI Tax Administration includes the employer liability, collections and field unit processing, as well as the training unit. In 2012 this area accomplished a review and republishing of all unit desk manuals and training manuals. This accomplishment allows staff to have an immediate, up-to-date and accurate resource for assisting employers and other customers, allowing staff to meet the first-time call solution for each caller. We continue to field a high volume of telephone calls for assistance, prepare employer communications such as *Experience Rating Notices* and employer statements and establishing new accounts for businesses subject to the Employment Security Law. It provides major support for the field audit unit and the functions performed by that unit.

The units of the UI Tax section continue to show marked improvements. It is dedicated to exceeding federal mandates of performance.

Labor Market Information

Labor Market Information Services (LMIS) provides statistical and other information about employment, jobs, training, safety and other areas of concern to the agency and to the state and its citizens.

KanServe

Utilizing the features within the LMIS Kansas Labor Information Center ([KLIC](#)) website, KDOL was able to launch a new online jobs resource for veterans – Skills, Education and Resources for Veteran Employment ([KanSERVE](#)) as part of an overall effort by Governor Sam Brownback to provide resources to veterans in Kansas. KanSERVE assists veterans in finding available jobs and training in Kansas using only their Military Occupational Specialty (MOS) code. With this code, the civilian job search narrows down the results to each person’s specific skill set.



Search results are pulled from a large network of online job postings and training programs throughout Kansas. Some of the information provided to veterans after entering their MOS code includes: a list of related civilian occupations, civilian job openings that correspond to the MOS code, occupation descriptions of job duties, jobs data, supply and demand data, Kansas training programs, job openings by employer, annual/hourly wage information, 10-year employment projections of the provided occupations and industries that employ the largest number of occupations. This new resource will be included in a website being developed by the Kansas Commission on Veterans Affairs to provide a one-stop location for a variety of services for veterans.

Kansas Index of Leading Indicators

This year LMIS created the Kansas Index of Leading Indicators for the Governor's Council of Economic Advisors. The purpose of this index is to signal coming changes in the Kansas business cycle. The proxy used to represent the Kansas business cycle is the seasonally adjusted total non-farm employment for the state. This is the broadest measure of employment in the state of Kansas and a reliable gauge of the state's economic condition.

The intention of the index is to signal changes in the business cycle. It is not intended to gauge the level of economic activity in the state. The changes in the business cycle are represented by the inflection points in the nonfarm employment series.

The ten indicators being used are: commercial vehicle traffic, overweight trucking permits issued, commercial and industrial property sales, Kansas building permits, enplanements, industrial production index, manufacturer's new orders on non-defense cap goods, non-farm employment, average weekly hours of production workers in manufacturing and the S&P 500 Stock Index.

Assigning Occupational Codes to Claimants

At the end of 2012 LMIS obtained the Wilson Coder. This is an auto-coding software that assigns an occupation code classification to those filing for unemployment insurance benefits. The system uses SOC (Standard Occupational Classification) O*NET codes for occupational classification. This is important when working with workforce development and using skills to match unemployed individuals to particular job titles. This will assist in helping claimants to find new jobs or similar jobs, or finding jobs which have openings which would require minimal additional training. The goal is to then match claimants to job openings with the same occupation code classification.

Selected 2012 labor market data:

- The seasonally adjusted unemployment rate decreased from 6.4 percent in December 2011 to 5.4 percent in December 2012.
- Private sector employment grew by 13,200 jobs from December 2011 to December 2012.
- Nonfarm employment grew by 13,800 jobs from December 2011 to December 2012.
- LMIS answered 277 special requests from a number of sources such as Chambers of Commerce, Kansas universities, businesses, individuals and others, along with 32 media requests.

LMIS also participated in many cross agencies initiatives:

- Governor's Economic Council Meeting
- Department of Commerce Rapid Response readiness
- State Energy Sector Partnership
- Health Care Workforce Partnership (HCWP)
- Statewide Manufacturing Strategic Planning
- Middle Class Tax Relief and Job creation Act of 2012
- Collaboration with the Kansas Board of Regents to help them evaluate educational programs
- Collaboration with Department of Corrections to help them verify and measure the employment outcomes for the offender population segment in Kansas.
- Consensus revenue estimating committee Governor's Economic Council
- Postsecondary Technical Education Authority

- Regional Workforce Intelligence network
- Emerging Health Information Technology Workforce through Partnerships
- REA Business Requirement – 2012 Grant
- Employment Task Force
- Kansas At-Risk SQSP Project
- Veterans Jobs and Employment Initiative
- Governor’s High Demand list
- KANSASWORKS State Board Meetings
- “Priorities for Employers” presentation for CPA firm Allen, Gibbs & Houlik, L.C. in Wichita
- Regional Workforce Intelligence Network

Workers Compensation

Major revisions to the Workers Compensation Act (Substitute for HB 2134) were passed by the 2011 Kansas Legislature and took effect on May 15, 2011. The Workers Compensation Division continued implementing HB 2134 with training during the past year for Administrative Law Judges, Board members, legal assistants, Ombudsmen and other personnel. The division also edited regulations, forms and publications to conform to the new law.

Other activities in 2012 in the division include:

- A total of 58,252 injuries and illnesses were reported to the division in 2012, nearly steady with 2011 which had 58,296 reports.
- The division reviewed the judicial process and information management system to create a viable recommendation to implement a digital (paperless) adjudication system.
- Began the regulatory process to mandate the International Association of Industrial Accident Boards and Commissions Release 3 claims electronic data interchange (EDI) standard for electronic filing of accident reports beginning in April 2013.
- Received 684 fraud referrals, closed more than 523 cases, prosecuted 40 administrative cases and one criminal case, and collected more than \$214,000 in fines and restitution.
- Provided educational presentations to 1,397 individuals including employers, insurance carriers and agents and health care providers.
- Assisted 21,022 injured workers, insurance agents, attorneys, employers and health care providers with questions about the law.
- Hosted more than 600 attendees at the annual Workers Compensation Seminar in October at the Overland Park Convention Center. The seminar focused on the changes resulting from enactment of the new law.
- Settled more than 200 disputes between providers and payers.
- Division operations were moved from leased space in downtown Topeka into a department-owned building at 401 SW Topeka Boulevard.

Industrial Health and Safety

Identifying safety hazards and helping Kansas businesses and public entities eliminate unsafe practices are the goals of the Industrial Safety and Health Division. These programs are promoted throughout the state, but sell themselves by word of mouth from satisfied employers.

In 2012:

- The Kansas Consultation Program, in cooperation with the Occupational Safety and Health Administration (OSHA), conducted 489 safety and health visits. These visits identified 2,303 hazards in a variety of industries. OSHA has placed an emphasis on construction, oil and gas, manufacturing facilities with amputation hazards and grain handling. The focus of the consultation program continues to be small companies with fewer than 250 employees on-site in a high-hazard industry.
- The Safety and Health Achievement Recognition Program (SHARP) continues to grow in Kansas with 173 sites. This is an increase of eight sites from 2011. Kansas has the greatest number of SHARP sites in the nation and the highest percentage of SHARP sites per workplace establishment in states under federal OSHA jurisdiction.
- The Kansas SHARP Association, established in 2011, continues to provide an avenue for networking and mentoring, serving as a valuable tool for businesses in SHARP.
- The division is responsible for investigating safety and health issues with public entities. During 2012, 98 visits were completed at cities, counties and school districts and 143 visits were completed at state agencies. Together these totaled 805 sites, affecting 14,343 employees. Additionally, the Safety and Health Award for Public Employees (SHAPE) recognition program was implemented in late 2012, awarding public sector businesses – state and local governments, state universities and unified school districts businesses – for accident-free work hours and having an exemplary safety and health program. The City of DeSoto was the only award recipient in 2012.
- For nearly 20 years, as a prerequisite for authority to provide workers compensation insurance coverage, Kansas insurance companies or group-funded plans have been required to provide accident prevention programs upon request of the covered employer. KDOL is charged with inspecting these programs. The division completed one inspection in 2012 and found one violation.
- The Boiler Safety unit is responsible for inspecting uninsured high pressure boilers, low pressure heating boilers and unfired pressure vessels. Its operation is fee funded. There are currently 23,081 registered active boilers and pressure vessels in the state. State inspectors performed 4,014 regular inspections and issued 2,767 deficiencies, compared to the insurance companies that had 10,089 inspections and found 638 deficiencies. A total of 14,230 operating certificates have been issued.

In collaboration with the Kansas Department of Agriculture (KDA), the Boiler Safety unit inspects stationary anhydrous ammonia tanks that have been repaired, moved or newly installed. KDA is required to inspect these tanks for safe working conditions. Using KDOL's qualified staff, there will be a reduction in tasks for the agencies and a safer environment for the general public.

- The 63rd Safety and Health Conference was held October 2-4, 2012, in Wichita with 270 persons and 34 exhibitors in attendance.
- 2012 was the first year the Kansas Amusement Ride Inspection Program was implemented. Our inspectors visited 24 parks, festivals and fairs. Twenty-one were temporary set-ups and three were permanently located. During these 24 inspections, 17 violations were found.
- In late 2012, we added an Hispanic Outreach Program. The main focus is to provide safety and health information to the Hispanic workforce. Through partnerships with established associations, we are able to conduct outreach and training activities to all their membership throughout the State. Eighteen workers received OSHA 10-hour training in Spanish in 2012.

Employment Standards

This unit within Legal Services deals with Kansas labor laws. Most of its work is helping employees recover wages owed but not paid.

In 2012 KDOL received 946 new claims for unpaid wages. Of those, 900 were served; the remainder were closed, referred to the proper agency or sent back for additional information. A total of 855 claims were fully processed and closed by investigation or order at year's end.

A total of \$1,053,648.31 was collected and returned to Kansas employees during 2012.

Information Technology

KDOL had many accomplishments during FY 2012, including:

- Integration and implementation of IronPort enabling KDOL to provide added Web and email security
- Implemented 19 security policies as a result of the Legislative Post Audit audit
- KDOL, with the assistance of AOS (Alexander Open Systems), has a complete and tested contingency plan
- KDOL is an active participating agency with the Adjutant General's Office regarding KDOL's Continuity of Operations Plan for disaster recovery
- Implemented Voice over Internet Protocol (VOIP) and IP Flex for phone service at KDOL's 401 SW Topeka Boulevard office building in Topeka
- Implemented IP Flex at KDOL's Contact Center

As in previous years, KDOL continues to cut back with software licensing by consolidating and streamlining processes. SIDES (State Information Data Exchange System) was implemented in spring 2012 allowing large employers and third-party administrators to exchange employer separation information electronically, thus cutting response times from 16 days to 5-6 days on average. This also cuts costs associated with paper, mailings and administration.

In late February 2013, KDOL is slated to have the TOP (Treasury Offset Program) implemented allowing KDOL to garnish Federal Income Tax refunds for UI benefit overpayments.

Fiscal Year 2012 Actual Expenditures

	Actual Expenditures	Percent
	\$1,086,646,296	100.00%
State General Fund:		
General Administration	736	
Legal Services	191,000	
Employment Standards	11,425	
Public Employees Relations Board	144,697	
Total SGF	\$347,858	0.03%
Fee Funded Programs:		
Boiler Inspection	\$521,899	
Wage Claims Assignment Fund	153	
Workers Compensation	9,379,595	
Total Fee Funds	\$9,901,647	0.91%
Federal Funded Programs:		
Unemployment Insurance	24,044,836	
Wagner Peyser (LMI One-Stop)	501,913	
OSHA	607,313	
Labor Force Statistics (BLS)	820,697	
OSH/CFOI	54,075	
LMI OSHA	51,337	
Total Federal	26,080,171	2.40%
Unemployment Insurance Benefits:	1,043,962,332	96.07%
Other Funds		
Penalty & Interest Funds	820,481	0.08%
Federal Indirect Offset Fund	219,447	0.02%
Human Resources Special Projects Fund	185,038	0.02%
Sepcial Wage Payment Clearing Trust Fund	69,126	0.01%
KDOL Off Budget (MOUs)	458,452	0.04%
Interest for UI Trust Fund Advances	4,601,744	0.42%