

Approved: 3/1/07  
Date

## MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:05 A.M. on February 15, 2007 in Room 231-N of the Capitol.

All members were present except:

Kasha Kelley- excused  
Lana Gordon- excused  
Ronnie Metsker- excused

Committee staff present:

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

Conferees appearing before the committee:

Jeff Glendening  
Ron Trachsel  
Kenneth L. Daniel  
Jim Garner

Others attending:

See attached list.

The Chairman opened the hearing on **HB 2456 Employment security law, reduction in contribution rates.**

Jeff Glendening, Vice President of Political Affairs, The Kansas Chamber testified as a proponent of **HB 2456 (Attachment 1).** Since there were so few conferees the Chairman allowed questions to be asked of each conferee.

Representative Ruiz asked how the 40% across the board reduction was arrived at. Both plans were figured on the same basis.

Representative Tietze asked what happens if we have an odd year and the fund gets used. The rate is figured on the last 15 years and then multiply the worst year's CPI by 1.2. If the fund falls below that point then the current rate is adjusted back automatically.

Ron Trachsel, of Allied Staffing in Lenexa, Kansas testified for the National Federation of Independent Business-Kansas as a proponent of **HB 2456 (Attachment 2).**

Representative Grant said that the rate was the same after the five year moratorium. Ron said that was so because they made a voluntary contribution to the fund to lower the rate.

The Chairman said that what we were after was some stability in the fund.

Kenneth L. Daniel, an advocate for Kansas small businesses and publisher of KSSmallBiz.com testified as a proponent of **HB 2456 (Attachment 3).**

The committee's attention was drawn to written only testimony presented by the Lenexa Chamber of Commerce and the Associated General Contractors of Kansas in support of **HB 2456 (Attachment 4 & 5).**

Jim Garner, Secretary, Department of Labor testified as neutral on **HB 2456 (Attachment 6).** The Chairman opened the floor for questions.

Representative Ruff commented that Allied Staffing felt that SB 0083 was unfair because it increases taxes on companies that are growing. The Secretary said that the system rewards employers who have less demand on the system. SB 0083 gives more tax relief to those who are at the high tax rate end. This is an insurance program, so your rate is based on your experience rate. When you add employees you increase the likelihood of having claims on the fund.

## CONTINUATION SHEET

MINUTES OF THE House Commerce and Labor Committee at 9:00 A.M. on February 15, 2007 in Room 231-N of the Capitol.

Representative Grange commented about contractors having a much higher use of the fund. The Secretary said that they do because of frequent layoffs. After three years of operating you become an experience rated company.

Representative Roth asked if a reduction in the unemployment trust fund affected the State general fund in any way. The Secretary confirmed that it was a separate fund held in trust for one purpose only, to pay benefits to the unemployed.

Representative Ruiz asked a question of Ron Trachsel. Since you have contract employees, do you pay the same rate on all employees regardless of where they work? Ron answered yes.

Representative Kiegerl asked who decided on the \$435 million. The Secretary said it was not the Employment Security Advisory Counsel. What is the amount of monthly benefit being paid by the Trust Fund? Last month it was \$5 million. The amount for 2006 was \$221.5 million, for 2005 they were \$255.7 million and for 2004 they were \$294.4 million.

Kenneth Daniel stepped forward to explain the difference between SB 0083 and HB 2456. He said that the negative balance employees are paying for 65% of the fund. Under SB 0083 that would increase to 80% paid by the negative balance employees. That is the complaint. The reduction should be given across the board to all employers.

Representative Roth asked Mr. Trachsel if he would get more tax relief under the House Bill. He said that was his understanding.

The Chairman asked if SB 0083 allows new employees to come in at a 4% rating. The Secretary indicated that the 4% rate was for new employers only. The established company gets to use their experience rating. What was the highest amount paid between 2001 and 2005? The Secretary said that 2003 was the highest with \$388.2 million. So it looks like the \$435 million has us covered then. The Secretary explained a well established mechanism called the Average High Cost Multiple. It looks at the history of the last 15 years and finds the highest payout and uses that to determine what the minimum should be in the fund. That is what we are recommending be used to determine the minimum.

Representative Grange said the real point should be what the lowest amount in the fund was. He also asked if the fund was drawing interest. The Secretary confirmed that it was and the interest is credited to the fund.

There being no further questions the hearing was closed on **HB 2456**.

The Chairman opened the hearing on **HB 2316 - Authorizing paperless payroll methods for employers**. Duston explained the balloon.

Representative Goico raised two questions. 1. What about the case of lost, stolen or identify theft? Duston said that other statutes protected employees. Kathy Olsen said that banks would apply the \$50.00 limit. Duston said he would check on adding a balloon. 2. Are the fees being charged the same as ATM fees? He wanted language in the bill to clarify this.

Representative Landwehr asked how many time are they allowed to access the card per section D? Section D provides only that there is one access at no cost, after that it is not limited. The second question was about garnishment. Duston said this bill does not change garnishment.

Representative Sharp asked how can you cap offsite institutions.

The Chairman reminded the committee of the upcoming schedule and adjourned the meeting at 10:25 A.M.

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