

MINUTES OF THE HOUSE COMMERCE, LABOR AND ECONOMIC DEVELOPMENT
COMMITTEE

The meeting was called to order by Chairperson Mark Hutton at 1:30 pm on Monday, February 16, 2015, 346-S of the Capitol.

All members were present

Committee staff present:

Reed Holwegner, Legislative Research Department
Linda Herrick, Kansas Legislative Committee Assistant
Jason Thompson, Office of Revisor of Statutes
Chuck Reimer, Office of Revisor of Statutes

Conferees appearing before the Committee:

Natalie Bright, Kansas State Council, Society for Human Resources Management
Brian Baker, Cerner
Jeff Oswald, President, Unemployment Insurance Services
Jason Watkins, Public Policy Consultant, Wichita Metro Chamber of Commerce
Eric Stafford, Kansas Chamber of Commerce
Justin McFarland, Deputy General Counsel, Kansas Department of Labor

Others in attendance:

[See Attached List](#)

Recognition

Representative Dannebohm introduced Freddy Simon, owner of Freddy's Frozen Custard, and thanked him for his lifelong contributions to Kansas. Mr. Simon was also recognized at this morning's House Session.

Hearing on: HB2261 — Amending unemployment insurance benefits determination; employer classification and contribution rates.

Chairperson Hutton opened the hearing and Reed Holwegner gave an overview on the bill.

Natalie Bright was the first proponent conferee. Her testimony ([Attachment 1](#)) represented the Kansas State Council Society for Human Resource Management (KSHRM). She noted this bill shifts the employer tax methodology from an arrayed to a fixed system, which is based on an employer's experience rating reflective of the employer's usage of the system. The greatest complaints have come from positively balanced employers (those who have paid more into the system than they have drawn) whose contribution rates significantly jumped while the negatively balanced employers did not see large increases. The negatively balanced employers are those who have drawn more than what they have paid into the fund. KSHRM urges passage of this bill.

Brian Baker, Government Strategist, Cerner, substituted for Scott Siemers. His testimony ([Attachment 2](#)) supports the bill. His company has built two new office buildings and hired 2,000 new employees

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representing \$180 million commitment to the state of Kansas. Cerner deals with unemployment across the state line and feels this bill is more business friendly.

Jeff Oswald's testimony ([Attachment 3](#)) indicated he has many clients to whom his company explains the unemployment insurance in Kansas. The rate in other states is lower than in Kansas. They also have to explain the arrayed versus fixed tax methodology system. Prior to 2008, the three-year average of the Kansas Unemployment Trust Fund was \$259 million. Under this system, in 2017, the estimate is \$454 million.

Jason Watkins' testimony ([Attachment 4](#)), indicated as the Wichita Metro Chamber works to attract out of state firms, every recruiting effort involves a conversation on the cost of doing business. The unemployment tax is a problem due to its cost and lack of predictability and passing this bill would be legislation for job creation. He supports this bill.

Eric Stafford provided testimony ([Attachment 5](#)) indicating currently 41 states use the fixed methodology system while Kansas is one of 12 states which utilizes the arrayed system. At the conclusion of the 2014 Legislative Session, the Kansas Chamber formed a UI Task Group to study the fixed system and form a proposal for the 2015 Session. This bill is the result.

Mr. Stafford added that indexing of maximum weekly benefits began in 1996 and Kansas benefits exceed all but one of our neighboring states. The Chamber proposes placing the maximum weekly amount of \$474 in statute and requiring the legislature to review that every three years.

Written only proponent testimony was also provided by Jason Watkins representing the Kansas Beer Wholesalers Association ([Attachment 6](#)); and Dan Murray, National Federation of Independent Business ([Attachment 7](#)).

Justin McFarland gave testimony ([Attachment 8](#)) in opposition to the bill and provided some charts as well ([Attachment 9](#)). He said the Department of Labor supports moving to a fixed tax methodology system but recommends an amendment to provide needed reform to the current system of financing while maintaining protections to ensure the unemployment trust fund achieves solvency in order to provide payment of benefits to persons involuntarily unemployed.

Opponent written only testimony was provided by Bruce Tunnell, Kansas AFL-CIO ([Attachment 10](#)).

The fiscal note on this bill indicates unemployment taxes that employers pay into the Employment Security Trust Fund would be reduced, and the fiscal effect associated with this bill is not reflected in the 2016 Governor's Budget Report. The hearing was closed.

Adjournment

The meeting adjourned at 3:08 p.m.

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