Approved 3-19-84
Date

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY AND TOURISM.

The meeting was called to order by Sen. Bill Morris at
Chairperson

1:30 ~~a.m.~~/p.m. on Tuesday, February 21, 1984 in room 529-S of the Capitol.

All members were present ~~except~~.

Committee staff present:

Jerry Ann Donaldson, Research Department
Gordon Self, Revisor
Louise Cunningham, Secretary

Conferees appearing before the committee:

Mr. T. C. Anderson, Kansas Society of Certified Public Accountants
Mr. Rob Hodges, KCCI
Mr. Wayne Maichel, AFL-CIO
Mr. Steve Goodman, Department of Human Resources

S. B. 666 - Employment Security; relating to benefits and contributions.

The Chairman explained the bill to the committee. He said there were five changes in the Unemployment Act. Two were taken to bring the law into conformity. Others would make changes to make the system more fair and regulate benefits.

1. Change on Page 1. Presently the annual payroll is based on three years. The proposed change would spread it over five years. It would add stability to the fund and avoid peaks and valleys. This would not raise the fund but would spread equity. The Department did not have a recommendation at this time and since all the information was not available on the computers, if the plan was feasible it might go to four years and the following year go to five.

2. This change on page 10, line 372 would change the age of service performed by children of an employer to 21 years instead of 18. This would bring the state law into conformity. This was a request from a CPA because they presently had to keep two sets of records.

3. On page 14, lines 499 and 500, was also a request from a CPA and would exempt from wages the value of meals given to employees on the employer's premises for the convenience of the employer. This is now exempt under federal. This is a conformity measure.

4. This change would use the two highest consecutive quarters rather than the two highest quarters in the present year. He explained how this would work with three different employees. A copy of this example is attached. (Attachment 1).

5. On page 29, lines 1185 - 1188, would keep the employer's contribution rate the same as it was in the previous year if the account had not been charged with any benefits for the past two years, unless the contribution rates for all employers was raised.

Mr. T. C. Anderson said he was not representing the Association but had been contacted by three CPS's and one PA on the two items of conformity. He said this would reduce the amount of paperwork in business. They must presently keep two different sets of records and being into conformity would cut down on that. They supported the two conformity measures.

Mr. Rob Hodges, KCCI, said the first change had been considered by the House this year but no action was taken because there was insufficient information available about the effects of such a change. The second change raising the age of a child to be exempt appeared to be minor in nature. The third change exempting the value of meals furnished an employee on the employer's premises would be limited in impact because few employers furnish meals to employees.

The fourth change would not substantially affect workers who have been engaged in regular work but could impact on seasonal employees such as construction workers because their wages change dramatically from quarter to quarter. KCCI supports the concept of using an average of the two highest quarters to compute the weekly benefit amount.

KCCI does not support the last change because they have been told it would take Kansas out of conformity. This is an insurance concept and the answer to controlling the tax rates is not an artificial lid placed on some employer's tax rates at the expense of other employers. A copy of Mr. Hodges' statement is attached. (Attachment 2).

Mr. Steve Goodman, Department of Human Resources, said Data Processing collects all the information and after three years the annual payroll information is put on tape. The Department feels it would be necessary to have language put into the bill which would phase in the average annual payroll. It could be four years in 1985 and go to five years in 1986. There would be an additional administration cost but the Department could do it.

Mr. Goodman said bills were sent to the Kansas City office for analysis as to the certification issue, which was very serious. This bill has been sent but the Department has not heard from them yet. Mr. Goodman had some reservations about the proposed experience rating saying if the economy was good an employer might be stuck at a high rate.

Meeting was adjourned.

SENATE LABOR, INDUSTRY & TOURISM COMMITTEE

Date 2-21-84 Place 529-S Time 1:30

GUEST LIST

NAME	ADDRESS	ORGANIZATION
Robert Tyler		Wichita Eagle Beacon
Paul Bicknell	Topeka	Dept Human Resources
Bill Layes	Topeka	Dept Human Resources
Steve Goodman	Topeka	Dept. Human Resources
T. C. Anderson	Topeka	KSCPA
Wayne Maichel	Top	Kansas AFL-CIO

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CHANGE #4 - Highest Two QUARTERS

EXAMPLE

	Quarterly WAGE				Base Period WAGE	W.B.A. %ge of H.Q.W.
Employer 1.	1781	1207	—	—	$2,988	69
Employer 2.	1849	2238	1522	—	$5,609	86
Employer 3.	823	1659	1618	1534	$5,634	65

claiment #1 receives $4.00 more per week Than claiment #3 even Though His Base period wages are ~~almost double the wages of~~ only about Half of claiment #3.

claiment #3 Has greatest attachment to The work force, but draws the SMALLEST BENEFIT.

Atch. 1

(2)

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 First National Tower One Townsite Plaza Topeka, KS 66603-3460 (913) 357-6321

A consolidation of the Kansas State Chamber of Commerce, Associated Industries of Kansas, Kansas Retail Council

Testimony Before the

SENATE COMMITTEE ON LABOR, INDUSTRY, AND TOURISM

SB 666 February 21, 1984

Mr. Chairman and Members of the Committee:

My name is Rob Hodges and I am Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. I appreciate the opportunity to appear before the Committee today to present the Chamber's views regarding Senate Bill 666; a proposal to amend the employment security law regarding benefits and contributions.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses plus 215 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Atch. 2

SB 666 proposes to make five changes in the employment security law. KCCI is in favor of some of the proposed changes and opposes others. Let me point out that the Employment Security Advisory Council, of which I am a member, has not addressed the proposals contained in SB 666. I will address the proposals individually.

The first proposal, shown on page 1, beginning on line 0028, would change the definition of "average annual payroll" and make that computation based on a five year average rather than the three year average being used currently. The same change was considered in the Kansas House of Representatives this year. No action was taken because there was insufficient information available about the effects of such a change. While information about the change remains sketchy, there are two things to keep in mind. First, the change would not alter the required yield for any year. In other words, there would not be additional funds raised, but an employer's tax rate could go up or down depending on the individual experience and reserve ratio. Second, the Department of Human Resources has indicated that they are not able to immediately make the change from three- to five-year averaging. Perhaps a phase-in of this change should be considered.

The second change, on page 10, beginning on line 0370, would raise from the current 18 up to 21 years the age an individual may employ a son or daughter and be exempt from the definition of "employment." The proposal appears to be minor in nature and could be beneficial to small businesses. The Committee may wish to examine the potential impact of the change on the Trust Fund balance, as some employees would be exempt and their wages not subject to taxation. Any change would probably be minor.

The third proposal, on page 14, beginning on line 0499, would affect the definition of wages and exempt the value of meals furnished an employee on the employer's premises. This proposal is limited in impact because few employers furnish meals to employees.

On page 20, beginning on line 0714, the fourth proposal would amend the method of determining an individual's weekly benefit amount. Currently that amount is 4.25% of the individual's highest quarter total earnings. The change would, with a slight amendment, figure benefits on the average of the two consecutive highest calendar quarters. This change would not substantially affect workers who have been engaged in regular work because their earnings in one or an average of two quarters would be very similar. The change would impact those workers who work most during a certain period of the year. Employees in the construction trades are a good example because many times their wages change dramatically from one quarter to the next. One of the long-standing principles of unemployment compensation is that the weekly benefit amount should be directly related to the individual's usual wage. KCCI supports that principle and supports the concept of using an average of the two highest quarters to compute the weekly benefit amount.

The final proposed change in our employment security law is shown on page 29, beginning on line 1185. Simply put, the change would freeze an employer's tax rate if that employer's account had not been charged with benefits paid for two years. KCCI is sympathetic with the basis for this proposal. Our members do not enjoy watching their U.C. tax rates continue to climb -- especially if their experience has been good. The Department of Human Resources has indicated that this change would take Kansas out of conformity with federal U.C. requirements. We must oppose the change for that reason. The answer to controlling U.C. tax rates is not an artificial lid placed on some employers' tax rates at the expense of other employers. The answer includes providing jobs for the unemployed who are really seeking work, getting a handle on the ever-escalating benefits, and disqualifying from benefit eligibility those persons who leave their jobs without good cause attributable to the employment. Hopefully, as Kansas recovers from the effects of the recession, those who are seeking work will be able to find it. The other two solutions to the problem of yearly tax rate increases do not lie within the jurisdiction of the business community which creates the jobs. Those two changes will require legislative action and the Governor's signature.

I thank you for letting me present our views this afternoon, and will attempt to answer any questions you have.