

Approved April 26, 1991  
Date

MINUTES OF THE House COMMITTEE ON Labor and Industry

The meeting was called to order by Representative Anthony Hensley at  
Chairperson

9:08 a.m./~~p.m.~~ on March 20, 1991 in room 526-S of the Capitol.

All members were present except:

Rep. Amos - excused  
Rep. Douville - excused  
Rep. Gomez - excused  
Committee staff present:

Jim Wilson, Revisor  
Jerry Donaldson, Research Assistant  
Barbara Dudney, Committee Secretary

Conferees appearing before the committee:

Rep. Bill Wisdom  
Wayne Maichel, Kansas AFL-CIO  
Terry Leatherman, KCCI  
Jacki Summerson, Manpower Temporary Services  
Jewell Welch, Cardinal Building Services  
A.J. Kotich, Staff Attorney, Kansas Dept. of Human Resources  
Paul Bicknell, Chief of Contributions, Kansas Dept. of Human Resources

The meeting was called to order at 9:08 a.m. by the chairman, Rep. Anthony Hensley.

Chairman Hensley announced the hearings open on the following bills:

House Bill No. 2573, increasing the maximum weekly unemployment compensation benefit amount.

House Bill No. 2575, eliminating the "waiting week" provision in the Kansas Employment Security law.

House Bill No. 2576, increasing the taxable wage base from \$8,000 to \$12,000 for computing employer unemployment compensation contributions.

The chairman announced that the first bill the committee would hear is House Bill No. 2575. He recognized Rep. Bill Wisdom as a proponent of the bill.

Rep. Wisdom testified that he has attempted for several years to obtain approval for legislation to eliminate the "waiting week" provision. He said the original purpose for the "waiting week" is no longer relevant since those who administer unemployment compensation claims are using fax machines, computers and other technology to process these claims. He said eliminating the "waiting week" would speed up the process and better enable unemployed people to make ends meet.

The chairman announced that the committee would also hear House Bill No. 2573, and he introduced Wayne Maichel, Executive Vice-President, Kansas AFL-CIO, as a proponent of this bill and House Bill No. 2575.

Mr. Maichel expressed the Kansas AFL-CIO's support for House Bill No. 2573. He said that the current allowable maximum weekly unemployment benefit is not enough. He urged the committee to increase the maximum benefit amount from 60% to 75% of the average weekly wage. On House Bill No. 2575, Mr. Maichel said that years ago when handling unemployment claims was more time-consuming the "waiting week" may have been justifiable. He said that computer technology has eliminated the need for a waiting period on claims.

Mr. Maichel also stated his support for Senate Bill No. 270 which had been heard by the committee yesterday, March 19, 1991.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Labor and Industry,  
room 526-S, Statehouse, at 9:08 a.m./p.m. on March 20, 1991

Chairman Hensley introduced Terry Leatherman, Executive Director of the Kansas Industrial Council, Kansas Chamber of Commerce and Industry (KCCI), who expressed KCCI's opposition to House Bills No 2573, 2575 and 2576. Mr. Leatherman said that he would provide committee members with written testimony at a later date. For the record, Mr. Leatherman said KCCI supports Senate Bill No. 270.

The chairman introduced proponents of House Bill No. 2576:

Jacki Summerson, Manpower Temporary Services, said that the current taxable wage base of \$8,000 is unfair to smaller, low-wage employers when the average wage base in Kansas is \$19,000. To illustrate her point, she cited how an employer who pays his or her employees less than \$8,000 per year is paying 100% on their wage base, while a company paying the average wage of \$19,000 is only paying 42% on their wages (attachment #1).

Jewell Welch, Cardinal Building Services, Topeka, also appeared as a proponent of House Bill No. 2576.

A.J. Kotich, Staff Attorney, Kansas Department of Human Resources, stated that the Department has no position on House Bill No. 2576. However, Mr. Kotich said that Paul Bicknell, Chief of contributions, was present to answer questions. Mr. Bicknell answered questions from several members of the committee.

Meeting was adjourned at 9:40 a.m. The next committee will be March 21, 1991 in room 526-S.



STATEMENT OF TESTIMONY

RE: HB-2576, before House Committee on Labor, Industry and Small Business

DATE: March 20, 1991

FROM: Jacki Summerson, Manpower Temporary Services/913-267-4060

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My name is Jacki Summerson. My husband and I own and operate the Manpower Temporary Services franchise offices in Topeka, Lawrence, Manhattan, Emporia, Ottawa, Wichita, Hutchinson, Newton, McPherson and Salina. Our company is one of several employers in the State of Kansas that provide thousands of employment opportunities to people who are in the process of looking for permanent employment but need work or simply want limited employment.

I am here to speak in favor of House Bill 2576 that raises the taxable wage base for unemployment taxes to \$12,000. Employment security (unemployment benefits) is an important public policy (both Federal and State). The Kansas unemployment system is well funded and well administered. The proposed legislation is limited to adjusting an inequity in the system. It does not jeopardize the solvency of the fund. It does not have any adverse impact on benefits paid to unemployed persons. It is simply a fairness issue among contributing employers.

A bill identical to HB-2576 has been introduced in the Senate by the Senate Labor and Industry Committee (SB-275). The Senate Labor and Industry Committee unanimously approved the bill. After the bill was on General Orders, some numbers estimating the impact of the wage base change were published. These numbers did not take into account the phasing in of the wage base change into the three year average and were distorting the impact of the change. Due to the deadline, SB-275 was taken off General Orders and referred to the Ways and Means Committee until the Department could review its numbers. The Department of Human Resources is reworking the numbers to more accurately project the impact of the wage base change. They were hoping to make those numbers available yesterday. Hopefully, SB-275 can find its way back to General Orders in the Senate.

The problem is simply this: the low taxable wage base is causing an inequity in the amount of unemployment taxes paid by employers who have low-wage, high turnover employees. When we compare ourselves to another company paying the exact same amount of wages, we are paying \$125,000. more in unemployment taxes. (This estimate is based on our average annual wages of \$803. versus the statewide average of \$19,000.) We currently have an account balance of \$850,000. Our 1990 total benefits paid were \$86,500.

*Labor & Industry  
3-20-91  
attachment #1*

and yet we are still required to pay \$265,000. per year into the fund. This is over three times what our claims are. The inequity is that we are paying taxes on 100% of our wages and a company paying the statewide average wage of \$19,000 is only paying on 42% of their wages even though their overall exposure to the fund is more. High wage employers are paying on an even smaller percentage of their overall wages. We estimate our overall liability to be approximately \$230,000. yet a company with long term, full time employees paying the same amount of wages would have a potential exposure to the fund of over \$2,100,000. Higher unemployment contributions which are not tied to potential benefit claims are funds that could otherwise be used to provide additional jobs or allow the employer to survive thereby preserving jobs. Using our average annual wage for temporary employees, we could provide 155 more jobs with the additional taxes we pay without increasing our liability to pay unemployment claims.

When unemployment taxes were started in 1936, employers paid unemployment taxes on 100% of their wages. The taxable wage base was introduced in 1940. It obviously benefits higher wage employers and penalizes low-wage employers. A majority of states with the "ratio reserve" method have already increased their taxable wage base above \$7,000 because of this impact.

Raising the wage base does not collect any more unemployment taxes overall. As the wage base increases, the tax rates for each category are reduced accordingly. We will still pay taxes on 100% of our wages, but it helps us because the contribution rate will decrease. If only 5-10% of the employers are "low-wage" employers, the small reduction that they get will be spread over the remaining 90-95% of the employers and will have a minimal impact on their overall taxes.

When comparing high-wage employers to low-wage employers, most of the low-wage employers are providing jobs to people who might otherwise be drawing employment benefits. Even so, low-wage employers such as us are required to pay more than our fair share in unemployment taxes. The current wage base of \$8,000 is placing an unfair burden on low-wage employers. In the last analysis, we believe this bill seeks to promote jobs and fairness. Any bill that encourages jobs and seeks fairness among all those affected by the law is a good bill. We would ask that you report the bill favorably for passage.