Approved Februry 13, 1992
Date

MINUTES OF THE House COMMITTEE ON Labor and Industry.

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

9:05 a.m./p.m. on February 5, 1992 in room 526-S of the Capitol.

All members were present except:

Rep. Diane Gjerstad

Committee staff present:

Jim Wilson, Revisor of Statute
Jerry Donaldson, Principal Analyst
Barbara Dudney, Committee Secretary

Conferees appearing before the committee:

Jackie Summerson, owner of Manpower Temporary Services
Harry Gordon, Chairman of the Board, Cardinal Building Services
Jim Ludwig, KPL Gas Service
Wayne Maichel, Exec. Vice-President, Kansas AFL-CIO
Mary Ellen Conlee, Kansas Association of Small Business
Bob Stacks, Director, Division of Employment Security, Kansas Department of Human Resources

The meeting was called to order at 9:05 a.m., by the chairman, Rep. Anthony Hensley.

Chairman Hensley informed the committee that he had handed out to each member a copy of a letter by Kansas Insurance Commissioner Ron Todd to William Hager, President, National Council on Compensation Insurance (attachment #1). He announced that Commissioner Todd or his representative will appear before the committee on Monday, February 10th, to discuss the concerns expressed in his letter to Mr. Hager.

The chairman also announced that each committee member had been provided a copy of Dr. Timothy Bolz's written testimony of yesterday, February 4th, in which he discussed the proposed workers' compensation medical fee schedule (attachment #2).

The chairman explained the provisions of Senate Bill No. 275. He stated that this bill amends the Kansas Employment Security law by increasing the taxable wage base from $8,000 to $12,000 per employee for the purpose of computing the unemployment compensation tax rate paid by employers. He noted that the committee amended the bill in the 1991 session to provide that the increase be phased in over a three year period. He said that the bill, as amended by committee, was on the House calendar at the end of the 1991 session when it was re-referred to the committee.

He then opened the hearing on Senate Bill No. 275, and introduced proponents of the bill:

Jackie Summerson, owner of Manpower Temporary Services, spoke in favor of the bill and requested the committee to delete the amendment it added last session providing for a three year phase-in of the taxable wage increase. She said that the phase in is unnecessary since unemployment tax rates are already computed on a three year experience rating (attachment #3).

Harry Gordon, Chairman of the Board, Cardinal Building Services, expressed his support for the bill and pointed out that the current taxable wage base of $8,000 is unfair to smaller, low-wage employers (attachment #4).

Chairman Hensley informed the committee that each member had been given a copy of letters in support of the bill from John Grace, Executive Director, Kansas Association of Homes for the Aging (attachment #5) and George Puckett, Executive Director, Kansas Restaurant and Hospitality Association (attachment #6).

The chairman then introduced opponents of the bill:

Jim Ludwig, representing KPL Gas Service, said he was opposed to the bill because it increases the tax burden on Kansas employers who pay their employees higher wages while benefitting employers who pay low wages. He said the state's economic development strategy should be to attract and retain employers, large and small, who pay higher wages (attachment #7).

Wayne Maichel, Executive Vice-President, Kansas AFL-CIO, spoke against the bill. He pointed out that the issue is not one of small employer versus large employer, rather it is low-wage employer versus high-wage employer. He expressed his concern that by increasing the taxable wage base higher wage employers would pay higher taxes which could result in laying off workers.

Mary Ellen Conlee, Kansas Association of Small Business, stated that the 150 small businesspeople she represents are opposed to the bill.

The chairman recognized Bob Stacks, Director, Divsion of Employment Security, Kansas Department of Human Resources, to make comment on Senate Bill No. 275. Mr. Stacks stated that the Department has no position on the bill, but he suggested that it be amended to provide it take effect after calendar year 1993.

The chairman closed the hearing on Senate Bill No. 275, and entertained motions for introduction of bills by committee.

Rep. Dick Edlund moved to introduce a bill to change the name of the Kansas Department of Human Resources to the Kansas Department of Labor. The motion was seconded by Rep. Bob Grant. Motion carried.

The meeting was adjourned at 9:30 a.m.

GUEST LIST

COMMITTEE: Labor and Industry

DATE: February 5, 1992

NAME	ADDRESS	COMPANY/ORGANIZATION
Bill Layes	401 Topeka Ave	Kansas Dept. of Human Res
Paul Bicknell	401 Topeka Ave	KDHR
Bob Stacks	401 Topeka	KDHR
Judy Pratt	400 W. Curtis	BRB Contractors Inc.
Tom Bulkley	400 W. Curtis	BRB Contractors Inc.
Kevin McFarland	Topeka	Ks Homes for Aging
Vikki Summerson	Topeka	Manpower
Donald R. [illegible]	Olathe	Olathe Area Chamber of Commerce
Terry Leatherman	Topeka	KCCI
Jim Ludwig	"	KPL Gas Service
Bill Curtis	Topeka	Ks. Assoc. of School Bds.
Lisa Getz	Wichita	Wichita Hospitals
Mary Ellen Conlee	Wichita	Kans. Assoc for Small Business
Steve Jones	Wichita	Boeing

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COPY

RON TODD

COMMISSIONER OF INSURANCE

October 4, 1991

Mr. William D. Hager, President
National Council on Compensation Insurance
One Penn Plaza
New York, New York 10119

Dear Bill:

I am, of course, aware of your recent public pronouncements and other efforts to articulate your industry's position and problems relating to the workers' compensation dilemma. State insurance regulators have obviously not escaped your attention and criticism. I really don't have a quarrel with your observations. Your complaints about inadequate rates and the political games that seem to be played are not without validity and, as an industry spokesperson, you have an obligation to champion the interests of your members.

Having performed the courtesy of recognizing your right to express your views and even admitting the validity of some of your criticism, I must tell you that, at least in Kansas, your organization and the insurers you represent are destroying your credibility. As a new commissioner who stuck his neck out and absorbed tremendous public criticism for approval of the largest workers' compensation rate increase in recorded Kansas history, I must tell you I have been betrayed. I see no evidence whatsoever that insurers have relaxed their underwriting restrictions one iota. Risk after risk after risk is seeking approval as a self-insurer under the Kansas workers compensation law because their only other alternative is the workers' compensation plan and its even higher costs because they cannot find coverage in the voluntary market.

In addition, my approval of the increase was, with the agreement of your organization, accompanied by a direction to implement a study of Kansas loss claims for the purpose of identifying reasons why Kansas claims costs continue to increase. This study was to be completed by July 1 and my intention was to provide the information to a task force I intended to create (and have created) to focus attention on specific elements of the workers' compensation system which, according to the claims study, are contributing a disproportionate amount to the claims costs. Finally, in late August, we were provided general, unsubstantiated anecdotal,

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information obtained from 13 insurers and one agency which was of absolutely no value to this office or the task force.

The totally unsatisfactory response to the directive included in my approval of the rate filing was then supplemented by a request that NCCI representatives attend the September 19, 1991 meeting of the task force and present data and credible information that would provide some direction to the task force. Two representatives did attend and I am convinced they made a sincere effort to be responsive to the task force's needs. However, the information presented was little more than a summary of ratemaking data which we could probably have extracted from our files. In other words, the information was informative as to the number of claims and how many dollars were spent but totally void of any helpful insight regarding what services the money actually purchased.

During my 35 plus years in insurance regulation, I have become accustomed to trade, advisory, statistical and rating organizations never having information that is good for anything except purportedly justifying higher prices but always having some project underway that promises a better tomorrow. The task force was not disappointed at the September 19 meeting because the NCCI representatives repeatedly noted that detailed claim information was now being collected for all states. Terrific! The only problem is we need information now and the only possible alternative we apparently have is to attempt to locate an individual insurer(s) that may have been interested in where all the claim dollars were really going. I know some self-insurers have this kind of data and we are going to see what we can obtain from that source but if any of your people have any ideas, I'm certainly willing to explore them.

Finally, on more than one occasion and to more than one NCCI employee I have personally and directly invited, even urged, representatives of your organization to develop and suggest changes in the Kansas workers' compensation law and/or administrative processes that would ameliorate the constant and significant cost increases Kansas employers are experiencing. Not only have I had no response to these invitations but, as previously noted, I can't even obtain meaningful assistance that will identify or help identify the problem(s).

You are, of course, free to continue to castigate insurance regulators, legislators and others but as far as I'm concerned the organization you head is a key player. The NCCI is not only a rating organization, it is also a statistical organization. Therefore, you have or should have data that can be used far more effectively and for a far more responsible purpose than simply calculating an unaffordable price for workers' compensation insurance. Frankly, my 1991 experience with the NCCI and the workers' compensation insurance industry is, for the first time, making me think about the potential advantages of some sort of state fund.

Sincerely,

Ron

Ron Todd
Commissioner of Insurance

RT:mmk

Mr. Chairman and members of the committee. I am Dr. Timothy Bolz, a Topeka Chiropractic Physician. I am currently serving on the fee schedule panel, and have served as vice-chairman from the panel's first meeting.

As you all know Worker's Compensation draws excessive millions of dollars out of the Kansas business community each year. The premiums written have increased from $30.2 million in 1971 to $291.8 in 1990. Some blame the attorneys for this increase; others blame the medical community. I would like to direct you to the sheet labeled workers' compensation experience. In 1970, insurance companies charged Kansas businesses $32.1 million while paying $16.8 in claims. This left $15.3 million for future losses and their profit. In 1990 the insurance industry retained $69.5 million for profit and future losses. In talking with the Insurance commisioner's office and the workers' compensation office no one seems to be able to account for when or how the money withheld for future losses is accounted for or reported in the losses paid column. It appears that the insurance industry has withheld $1,052,000,000.00 for profit and future losses over the last 21 years. Over 1 billion dollars and no one knows if that all went to profit or if any of it was spent to pay those future losses.

There is a problem that concerns me even more than the $1 billion unaccounted for. These figures are compiled annually by the National Council on Compensation Insurance who derive this information solely based on what their members want to report. There is no method of accountablity by any disinterested third party.(or even an interested one for that matter). I know there is a statute that requires honest reporting, but when $67 million per year are at stake with the major portion going to only 9 to 12 insurance companies, I think a little more accountability is warranted.

Less than forty of the 230 plus insurance companies that write workers' compensation policies in Kansas responded to the panel's survey. Of the 12 that write 80 to 90 percent of the premium, only 6 responded. This makes me inquire if the insurance carriers even are concerned about medical fees. Or is it that their annual increased profits depend on a rise in workers' compensation losses to continue to see a continued increase in the profit margin they annually ask for and usually recieve.

Changes in workers' compensation are desperately needed. Currently insurance companies often imply that they have the expertise to direct the employers' workers to the best doctor(s) for the best care. We have had this system for 20 years and it has worked so well in keeping insurance companies' income stable I can see why neither the medical doctors or the insurance companies want to see to many changes especially if that would result in less than the average $67 million annual increase shared by both.

Our committee reviewed many fee schedules and other methods of establishing a fee schedule. This information ranged from schedules of neighboring states, to medicare and to relative value systems. Ideally Blue Cross Blue Shield would have released their contracting provider CPT based fee schedule that they allegedly calculate each year so the cost savings in worker's Compensation could have already commensed. But as you know they would not release this information.

Medicare was rejected as a basis for the fee schedule due to two factors: 1. The extremely unrealistic schedule they currently use and 2.) The schedule was to change January 1, 1992. Over the last five years in my office reimbursement from Medicare has increased from $14.30 to 14.50 for a $30.00 office visit. In addition most of the procedure codes used in worker's compensation are not used in Medicare. As a result, a large number of very good doctors will not treat Medicare patients.

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I have provided you with a schedule comparing Mr. Carlson's calculation of the panel's recommended 85th percentile fee compared to fee schedules our neighboring states, the fee amounts reportedly charged to nine insurance companies and the Kansas state self insured fund, and to a independent study conducted by Medata Talley. The survey information from the insurance companies and the fees reportedly paid by the Kansas self insurance fund were combined by the director's office. Medata Talley compiled the panel's survey information They are reported to routinely survey insurance companies in each state to determine statistical information concerning biling practices to insurance companies. The 85th percentile has not been tabulated as directed by the Panel. The list you have includes only the survey information for medical doctors. It was the desire of the panel to have one fee schedule inclusive for all CPT codes equal for all healthcare providers. The use of the proper survey information combining all services for all providers will lower the schedule substantially.

The 85th percentile of the medical doctors survey fees are for the most part sustantially higher than all other providers.(see the sheets of fees common to workers' compensation.) The former director requested Medata separate the CPT codes by provider specialty. You can now see why Mr. Wheelen had a difficult time finding a reason for a fee schedule or a change in the system with the highest fees and the largest portion of the medical expenditures going to members of his association.

In Worker's Compensation injuries, lacerations are the most commonly reported injury with back and neck injuries second in frequency of occurance. However back and neck injuries comprise over 60 percent of all costs associated with worker's compensation injuries Considering this fact, the reoccurring cost of office visits and rehabilitation comprise the largest share of medical costs. The vast majority of workers with neck and back injuries do not require the more radical procedure of surgery. The CPT codes I have listed will probably encompass 70 percent of all medical charges of the health care providers covered by the proposed fee schedule. You will note the panel's proposal is very near or less than our neighboring states schedules even with the ommitted survey information and even though other states have been restricting providers charges for a period of years.

The panel discussed peer review and decided that the peer review established in KSA 65-2840c would provide the best review by the actual practicing peers of specialty. All too often peer review is conducted by "independent" reviewers paid by insurance carriers that have no practice expertise and often are from other states. A fee schedule will reduce the number of peer reviews by not allowing charges to be reviewed, simply the doctor is charging according to the fee schedule or he is over.

It is my understanding that the other states Mr. Morrisey used as examples in his comparison have had fee schedules for a number of years. After reviewing their limits you can easily determine that the schedules do succeed in reducing healthcare providers charges over a period of time. The apparent key to making a schedule work is to put it in place--get it started. When this fee schedule has been in place for as long as Minnesota's you will probably see a considerable difference in fees charged to health insurance as compared to fees charged to Worker's compensation insurance.

This fee schedule is not perfect, but it won't improve by simply studying at and talking about it. Have it put in effect, then reconvene the panel to review it and correct the apparent defects However, tis is my opinion after spending hundreds of hours of my time on this project. I may be a little biased. However I am also a little better informed about the mechanics of this system.

We are willing to compromise with Director Morrissey if the compromise has to do with action to be taken now. Not next year or the year after.

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YEAR	DIRECT PREMIUMS WRITTEN	DIRECT PREMIUMS EARNED	DIRECT LOSSES PAID	DIRECT LOSSES INCURRED	PREMIUM WRIT. TO. LOSSES PD.	PREMIUM EARNED TO LOSSES INC
1970	32,103,022.00	31,002,826.00	16,779,241.00	18,337,520.00	52.2	59.1
1971	30,278,679.00	30,097,337.00	17,947,366.00	19,327,951.00	59.2	64.2
1972	34,622,948.00	33,203,461.00	19,125,394.00	21,376,326.00	55.2	64.4
1973	37,024,905.00	35,456,396.00	21,194,243.00	23,915,584.00	57.2	67.4
1974	48,829,189.00	45,391,621.00	24,936,749.00	30,801,921.00	51.1	67.9
1975	60,931,943.00	58,384,479.00	30,919,290.00	39,391,122.00	50.7	67.5
1976	74,905,244.00	69,745,184.00	36,281,750.00	46,947,995.00	48.4	67.3
1977	95,030,094.00	91,946,121.00	41,987,153.00	52,384,640.00	44.2	57.0
1978	111,624,578.00	110,678,942.00	50,153,935.00	72,202,238.00	44.9	65.2
1979	118,240,623.00	113,676,699.00	60,281,756.00	82,086,752.00	51.0	72.2
1980	141,189,216.00	138,145,343.00	72,697,056.00	102,896,246.00	51.5	74.5
1981	156,207,756.00	149,261,425.00	80,425,265.00	101,691,667.00	51.5	68.1
1982	154,944,245.00	152,315,135.00	88,345,714.00	107,979,341.00	57.0	70.9
1983	147,137,981.00	148,669,330.00	96,289,968.00	115,282,150.00	65.4	77.5
1984	141,097,428.00	140,223,325.00	106,701,375.00	125,520,390.00	75.6	89.5
1985	172,985,620.00	170,955,138.00	120,755,675.00	147,438,366.00	69.8	86.2
1986	208,167,277.00	202,033,619.00	134,554,116.00	170,153,475.00	64.6	84.2
1987	223,674,161.00	222,846,661.00	147,885,631.00	195,885,084.00	66.1	87.9
1988	257,039,527.00	259,548,305.00	164,553,813.00	208,332,654.00	64.0	80.3
1989	264,102,264.00	263,386,009.00	184,857,801.00	239,142,874.00	70.0	90.8
1990	291,804,714.00	293,048,038.00	222,309,953.00	265,726,660.00	76.2	90.7

FCBW/FMS

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STATEMENT OF TESTIMONY

RE: SB-275, before House Committee on Labor and Industry

DATE: February 5, 1992

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

My name is Jacki Summerson. My husband and I own and operate the Manpower Temporary Services franchise offices in Kansas. We have twelve offices throughout the state in Topeka, Lawrence, Manhattan, Junction City, 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. On the average, we employ approximately 2,000 people per week. In 1991, we sent out about 10,000 W-2s.

I am here to speak in favor of Senate Bill 275 that raises the taxable wage base for unemployment taxes from $8,000 to $12,000.

HISTORY OF BILL:

- Passed in Senate in original form (SB-275)
- Passed out of House Labor & Industry Committee (HB-2576, an identical bill)
- HB-2576 was removed from the House General Orders and replaced with SB-275 after it passed out of the Senate
- SB-275 was passed by the House Labor & Industry Committee. In the waning minutes of the session, a hurried Committee meeting was called and the bill was amended to "phase-in" the change over a three year period.

- Last session, KCCI opposed this bill. <u>KCCI HAS WITHDRAWN ANY OPPOSITION TO THE BILL.</u>

- Changing the taxable wage base does not affect the solvency of the fund or claimant benefits. <u>THIS IS NOT A TAX INCREASE.</u> By statute, the State can only collect enough to maintain the fund balance. The State will not collect any more money. The contribution rates will be adjusted so that the taxes are approximately the same for employers.

- Unemployment taxes began in 1937. There was no taxable wage base. <u>THE TAXABLE WAGE BASE WAS INTRODUCED IN 1940 AT $3,000 BECAUSE AT THAT TIME THAT WAS THE STATE-WIDE AVERAGE WAGE. TODAY THE STATE-WIDE AVERAGE WAGE IS $19,000, YET THE TAXABLE WAGE BASE IS $8,000.</u> Compare this to an income tax. If everyone paid taxes on only their first $8,000 of income, it would be an extremely regressive tax. That is what has evolved over the years with the taxable wage base. It has made the unemployment taxes regressive.

- An individual earning the minimum wage of $4.25 an hour earns more than the current $8,000 wage base.

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- Most states with unemployment "experience-rating" systems similar to Kansas have already increased their taxable wage base. For example, the following states increased their taxable wage base effective January 1, 1992:

Hawaii	$22,700	Idaho	$18,600
Iowa	$12,800	Minnesota	$13,800
Montana	$14,000	Nevada	$14,500
New Jersey	$15,300	New Mexico	$12,100
North Carolina	$12,100	North Dakota	$12,200
Oregon	$17,000	Rhode Island	$15,200
Utah	$15,000	Washington	$17,600

- THE CHANGE IS PHASED IN OVER A THREE YEAR PERIOD. Since a three year average of taxable wages is used to compute the contribution rate, the new taxable wage base is automatically phased in over a three year period. I am asking that the amendment made to phase the increase in over a three year period be removed to expedite the approval of this bill.

- We provide thousands of employment opportunities to people throughout Kansas. Some of these people would otherwise be drawing unemployment benefits if we didn't provide them with work. You may be surprised to know that an employee can take a temporary job, knowing that it is temporary, and then still file for unemployment benefits. They are eligible to file at the end of each temporary assignment if we don't have another assignment for them. We are not complaining about this and we are willing to pay our fair share of unemployment taxes. We feel we are paying more than our fair share. FOR EXAMPLE, THIS YEAR OUR STATEMENT OF ANNUAL BENEFIT CHARGES WAS $53,134. AND OUR TAXES WERE $284,080. OUR ACCOUNT BALANCE (THE TOTAL AMOUNT WE HAVE PAID LESS BENEFIT CHARGES) IS $1,104,561. We pay more each quarter than the total of all claims made against our account. When we compare ourselves to a similar employer paying the exact same amount of wages with full-time employees, we pay $175,000 more each year and yet our liability to the fund is less.

- THIS LEGISLATION IS LIMITED TO ADJUSTING AN INEQUITY IN THE SYSTEM. The current wage base is unfair to employers who have low-wage, high turnover employees. Not only temporary services, but also fast food restaurants, janitorial services, nursing homes, grocery stores, etc. The INEQUITY is that we pay unemployment taxes on 100% of our payroll where a company paying the statewide average wage of $19,000 pays on only 42% of their payroll. High wage employers are paying on an even smaller percentage of their overall wages and yet their overall exposure for benefits is higher.

- We would ask that you please remove the amendment and pass SB-275 in its original form.

CARDINAL

2306 W. 10th • TOPEKA, KANSAS 66604

CARDINAL BUILDING SERVICES, INC.
CARDINAL CHEMICAL & SUPPLY CO.

913/354-7676

February 5, 1992

SENATE BILL 275

A bill to increase the taxable wage base from $ 8000.00 to $ 12,000.00 under Kansas Employment Security Law.

This change in the Taxable Wage base will not mean an increase or decrease in the total taxes collected from Kansas businesses. Rather, it will mean only an appropriate restructuring from whom the taxes are collected.

In 1989 the Kansas state average wage was $ 19,120.00.

With the current $ 8000.00 wage base a company paying an average wage of $ 19,000 pays employment tax on only 42% of it's wages. A business with an average wage of $ 25,000.00 pays only 32% of it's wage.

Cardinal Building Services, Inc. who had a payroll of $ 1,355,000.00 for the year 1991 with an average wage at only $ 2450.00 paid employment tax on nearly 100% of it's wages paid.

In nineteen (19) years of operations Cardinal has paid into the Kansas Employment Security fund as follows:

Amount Paid In....................	**$ 234,841.00**
Amount Paid Out - Charges........	**$ 42,150.00**
Balance in Account as of 6/30/91	**$ 192,691.00**

In 1989 there were 65,692 businesses in the State of Kansas. Of those, 64,558 employed less that 100 employees, only 1134 employed more than 100 employees.

Small businesses are the mainstay of the Kansas economy. They cannot afford to pay high wages and they bear the brunt of this regressive tax with a $ 8000.00 base. Raising the wage base to $ 12,000 will give the small business a break and correct the inequities in the current law.

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Kansas has a much lower unemployment rate than the national average partly due to the large number of small independent businesses in Kansas who do not have a policy of immediate lay-offs to protect the shareholders dividends. These lay-offs are costly to the Employment Security Fund.

Please help Small Business in Kansas by correcting the inequities in the Kansas Law as fourteen (14) additional states have done as of January 1, 1992.

Respectfully Submitted

Harry Gordon

Harry Gordon
Chairman of the Board

HG/dc

KAHA
Kansas Association
of Homes for the Aging

Enhancing the quality of life of those we serve since 1953.

Memorandum

Date: February 5, 1992

To: Rep. Anthony Hensley, Chairman
House Labor and Industry Committee

Re: SB 275

Submitted by: John Grace, President/CEO

Our association represents over 130 not-for-profit retirement and nursing homes across Kansas.

WE ARE IN SUPPORT OF SENATE BILL 275.

A significant percentage of our employees are employed at wages that are near minimum wage. Perhaps as many as 50% of the persons that we employ fall into this category working in various job responsibilities in dining, housekeeping, laundry and other front line positions. Because of the tremendous competition that we face in the recruitment and retention of front line employees, we experience a high degree of turnover in these positions. Therefore, we believe that the proposed change in SB 275 regarding raising the base from 8,000 to 12,000 would have a beneficial impact upon the expenditures of our facilities in helping to lower costs.

During the past several years, we have heard many legislators indicate that they are very concerned about the rising health care costs in our state. Because of the positive impact of this legislation that would help to reduce the operating costs for our facilities, we offer our support of this legislation and hope that this would be another component on the part of our policy makers to address the increasing costs of health care expenditures in long term care.

Thank you for the opportunity to present our comments.

634 SW Harrison
Topeka, Kansas 66603
913-233-7443
Fax: 913-233-9471

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KANSAS RESTAURANT AND HOSPITALITY ASSOCIATION

KANSAS RESTAURANT AND HOSPITALITY KRHA ASSOCIATION

359 SOUTH HYDRAULIC • P.O. BOX 235 • WICHITA, KANSAS 67201 • (316) 267-8383 • FAX (316) 267-8400

LEGISLATIVE OFFICE: HARRISON PLACE #609·635 SW HARRISON·TOPEKA, KS 66603·(913)354-1551 TALK+FAX

February 4, 1992

Representative Anthony Hensley, Chairman
HOUSE COMMITTEE ON LABOR, INDUSTRY AND SMALL BUSINESS
State Capitol - Room 278-W
Topeka, Kansas 66612

Dear Chairman Hensley:

The Kansas Restaurant and Hospitality Association (KRHA) supports SB 275 which would increase the taxable wage base from $8,000 to $12,000 under the employment security law.

There is an inequity in the current system for small businesses such as restaurants who, for the most part, have a high turnover of employees with entry level wages and many part-time employees. These operators must pay unemployment taxes on a much larger percentage of their payroll than most other employers. Therefore, the KRHA asks for your support of SB 275.

Sincerely,

George Puckett, Executive Vice President
KANSAS RESTAURANT AND HOSPITALITY ASSOCIATION

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attachment #6-1

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TESTIMONY BEFORE THE

HOUSE LABOR AND INDUSTRY COMMITTEE

February 5, 1991
By Jim Ludwig
KPL Gas Service

Chairman Hensley and Members of the Committee:

We appear before you to oppose SB 275.

This bill increases an individual employee's wages subject to Kansas unemployment tax from $8,000 to $10,000 in 1992 and 1993, and to $12,000 thereafter. We calculate SB 275 will increase Kansas unemployment taxes paid by KPL Gas Service (KPL) by $245,000 during the period 1992 through 1994. Our calculation is based on a constant contribution rate and a work force of 3,220 persons. If the merger of KPL and Kansas Gas and Electric (KGE) ensues, we realistically assume our costs will exceed $245,000 through 1994.

Proponents of SB 275 argue that it will help existing small businesses and foster creation of new ones. We disagree. If it did, we would be among the proponents, because KPL's financial success depends, in large part, on the success of the many small businesses that buy electricity and natural gas from us.

We oppose SB 275 because it increases the tax burden of employers who pay comparatively higher wages to benefit those who pay less. Although we want to create as many jobs as we can, one of the priorities of the state's economic development strategy is to attract and retain businesses, large and small, that pay higher wages.

We urge committee members to vote against SB 275.

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