

MINUTES OF THE House COMMITTEE ON Labor and Industry

The meeting was called to order by Representative Anthony Hensley
Chairperson

9:06 a.m./~~p.m.~~ on March 4 1992 in room 526-S of the Capitol

All members were present except:

Committee staff present:

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

Conferees appearing before the committee:

Rep. Al Ramirez
Charles Dodson, Exec. Dir., Kansas Assoc. of Public Employees
Terry Leatherman, Exec. Dir., Kansas Industrial Council, KCCI
Wayne Maichel, Exec. Vice-Pres., Kansas AFL-CIO
Bill Clawson, Chief of Benefits, Ks. Department of Human Resources
Jackie Summerson, President, Manpower Services, Inc.

The meeting was called to order at 9:06 a.m., by the chairman, Rep. Anthony Hensley.

Chairman Hensley stated that the purpose of the meeting was to continue the public hearing on House Bill No. 2993, and to have hearings on House Bills no. 2956 and 3069.

The chairman opened the hearing on House Bill No. 2956 by introducing its sponsor, Rep. Al Ramirez. Rep. Ramirez explained that the purpose of the bill was to establish a state employee "leaving sharing" program, which would allow state employees to share annual leave with co-workers who need to take time off from work due to family or medical problems.

The chairman handed out a letter from Nancy Echols, Director, Division of Personnel Services, Kansas Department of Administration, in which she suggested amendments to the bill (attachment #1).

Charles Dodson, Executive Director, Kansas Association of Public Employees, appeared in support of House Bill No. 2956. He suggested that the bill be amended to allow state employees to share annual leave, sick leave, or both (attachment #2). Mr. Dodson answered questions from members of the committee.

Chairman Hensley closed the public hearing on House Bill No. 2956, and then re-opened the hearing on House Bill No. 2993 by introducing a proponent of the bill, Terry Leatherman, Executive Director, Kansas Industrial Council, Kansas Chamber of Commerce and Industry (KCCI).

Mr. Leatherman distributed and read written testimony in support of the bill (attachment #3).

The chairman then introduced opponents of House Bill No. 2993:

Wayne Maichel, Executive Vice-President, Kansas AFL-CIO, stated that the bill would violate an agreement reached by labor and management years ago on how to treat the problems associated with a person voluntarily quitting their job and then being ineligible for unemployment compensation benefits.

Bill Clawson, Chief of Benefits, Kansas Department of Human Resources, appeared in opposition to House Bill No. 2993. He distributed and read written testimony which summarized the Department's opposition to the bill (attachment #4).

The chairman closed the public hearing on House Bill No. 2993, and then opened the hearing on House Bill No. 3069 by explaining that the bill was introduced by the committee at his request. He said the bill proposes to reduce employer unemployment taxes by ten-percent for calendar years 1993 and 1994, or a reduction of \$10 to \$15 million each year.

The first proponent of House Bill No. 3069 was Jackie Summerson, President, Manpower Services, Inc., who distributed and read written testimony in support of the bill (attachments #5 and #6). Ms. Summerson answered questions from several members of the committee.

The chairman announced that due to the lack of time, the hearings on House Bill No. 3069 would continue tomorrow.

The meeting was adjourned at 9:56 a.m.



DEPARTMENT OF ADMINISTRATION
Division of Personnel Services

JOAN FINNEY,
Governor

NANCY M. ECHOLS,
Director of Personnel Services

Room 951-South
Landon State Office Building
900 S.W. Jackson Street
Topeka, Kansas 66612-1251
913-296-4278
FAX 913-296-6793

March 4, 1992

The Honorable Anthony Hensley, Chairperson
Committee on Labor and Industry
Kansas House of Representatives
Room 278-W, Capitol Building
Topeka, KS 66612

Dear Representative Hensley:

House Bill 2956, which establishes a leave sharing program for state employees, is before the House Labor and Industry Committee for review.

The Division of Personnel Services supports a leave share program for state employees. However, we believe the leave share program can be implemented and administered without statutory requirement.

We have researched the issue and reviewed program models of federal, state and local government agencies in preparation for establishing and implementing a leave share program. Based on our research, we believe the provisions of House Bill 2956 as written may not provide state employees with the best leave share program possible.

If the committee recommends the bill be passed, we would like to submit the following for consideration as possible amendments to the bill:

1. Employees should have the option of donating sick or annual leave, or both. For various reasons, employees that might not want to donate annual leave might donate sick leave, or vice versa.
2. Shared leave that is not used should be forfeited. Allowing donated leave to be given back to donors on a prorated basis as HB 2956 states would create administrative problems.
3. Limiting an employee to 261 days of shared leave during total state employment could be a hinderance to an employee who needed the use of leave share at different times. For example, if employees used 200 days at one point in their career, they would only be eligible for

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attachment #1*

Representative Anthony Hensley
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61 more days for the rest of their career in state service.

4. A central committee be established to review and have final decision on all leave sharing activity. A central reviewing committee would provide a more fair and equitable system to all state employees.

I appreciate the opportunity to comment on House Bill 2956. Please let me know if you have any questions.

Sincerely,


Nancy M. Echols

NME:kat

Attachment

cc: Susan Seltsam
Art Griggs



1300 South Topeka Avenue Topeka, Kansas 66612 913-235-0262 Fax 913-235-8788

Presentative on HB 2956
Committee on Labor and Industry
by
Charles Dodson
Kansas Association of Public Employees
March 04, 1992

For clarification, this bill does not provide for a sick leave bank. It only provides that employees may donate annual leave to a fellow employee when the receiving employee or family member has "an illness, injury, impairment or physical or mental condition which is of an extraordinary or severe nature".

This bill does not allow the transfer of sick leave, only annual leave. This is an important distinction since when an employee quits state government, the state pays the employee for all accumulated annual leave but is not required to pay for accumulated sick leave. As a result the state will generally be required to pay for accumulated annual leave. We should not expect the state to be paying for leave time, if this bill passes, they would not otherwise be paying.

More important than the financial considerations, however, is the fact that it may allow an employee to retain their job during periods when they or a family member are in great need. If enacted this bill would allow one state employee to voluntarily donate their own earned vacation time to another employee in a time of need.

I urge you to report this bill favorably.

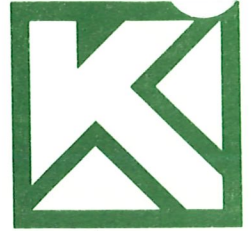
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Attachment #2*



LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

500 Bank IV 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

HB 3069 & 2993

March 3, 1992

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Labor and Industry

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Mr. Chairman and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to comment on HB 3069 and HB 2993. Both bills concern the Kansas unemployment compensation process and are supported by the Kansas Chamber.

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 which includes 200 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. KCCI receives no government funding.

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.

In the simplest terms, if approved, HB 3069 would mean Kansas employers would pay less in unemployment compensation taxes in 1993 and 1994. Even with the appealing

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Attachment #3*

prospect of reducing the taxes the members of KCCI have to pay, the Kansas Chamber would not support this proposal if it would jeopardize the benefits deserved by individuals who become unemployed through no fault of their own. However, KCCI feels there is ample evidence to show passage of HB 3069 will not lead the Kansas Employment Security Trust Fund towards insolvency.

1) PASSAGE OF HB 3069 WOULD STILL REQUIRE SIGNIFICANT UNEMPLOYMENT COMPENSATION BENEFIT RESERVES.

As of July 31, 1991, the total payroll of all Kansas employees totaled nearly \$16.9 billion. On the same day, the Kansas Employment Security Trust Fund contained nearly \$582 million to pay unemployment compensation benefits. The chart below shows what the Trust Fund balance would need to be to drive employer taxes to .5%, 1%, and 1.5% of total payroll under the current process and the process contained in HB 3069. Please note that HB 3069 would still require maintenance of a significant Trust Fund reserve.

	<u>Current System</u>	<u>HB 3069</u>
Balance needed for .5%	\$801.5 million	\$759.3 million
Balance needed for 1%	\$506.2 million	\$421.8 million
Balance needed for 1.5%	\$210.9 million	\$168.7 million

2) DURING TIMES OF HIGH UNEMPLOYMENT, THE PROPOSED TAX STRUCTURE IN HB 3069 WILL RESPOND TO PRESERVE THE TRUST FUND.

Over the past 15 years, the worst period of unemployment in Kansas occurred in fiscal year 1983, when the insurer unemployment rate was 4.1% and an all-time high of \$223.1 million in unemployment compensation benefits were paid. According to the Department of Human Resources, if that level of unemployment were translated into fiscal year 1990 dollars, the benefit payout would be \$328.3 million.

However, if you project this "worst case scenario" into the tax formula proposed in HB 3069, you will see the system will respond to protect the Trust Fund.

'Worst Case Scenario' Projection.

Trust Fund Balance (7/31/91)		\$581.7 million
Taxes Collected (as proposed in HB 3069)		\$138.5 million
	(total)	\$720.2 million
Unemployment benefits paid		\$328.3 million
New Trust Fund Balance	(total)	\$391.9 million
Trust Fund Balance % of total payroll		2.322%
Taxes Collected the next year		\$175.5 million

3) WHEN COMPARED TO OTHER STATES, THE KANSAS TRUST FUND IS EXTREMELY SOLVENT.

There are several methods which can be used to show how the Kansas Employment Security Trust Fund balance compares to other states. The table below shows how Kansas compares to the national average and neighboring states by three measures.

The first column is the "high cost multiple," which measures the state's reserve relative to the potential demand for benefits during recessionary times. A 1.0 high cost multiple means there is 12 months of benefits in the state's trust fund during "worst case scenario" unemployment. The second column measures trust fund adequacy by showing the number of months of benefits in a state's trust fund based on total benefit payments over the past year. The final column shows the state's reserve percentage, which is trust fund balance divided by total wages. The table reflects the condition of state trust funds, as of October 1991, and was compiled by the National Foundation for Unemployment Compensation and Workers' Compensation.

	<u>High Cost Multiple</u>	<u>Months of Benefits</u>	<u>Trust Fund % to Wages</u>
U.S. average	0.74	16.5	1.66
Kansas	1.52 (8)	38.5 (13)	3.00 (15)
Missouri	0.22 (49)	5.1 (49)	0.43 (50)
Colorado	0.91 (27)	22.9 (33)	1.15 (42)
Arkansas	0.34 (47)	8.5 (44)	0.90 (44)
Oklahoma	1.67 (5)	41.0 (9)	2.29 (21)
Iowa	1.27 (13)	39.6 (12)	3.33 (10)
Nebraska	0.98 (24)	40.5 (10)	1.47 (37)

HB 3069 represents a rare opportunity to lower taxes on a portion of your constituency without jeopardizing the services provided by a state program. The Kansas chamber would urge the committee approve HB 3069.

HB 2993 concerns the eligibility of certain individuals for unemployment compensation benefits. The Kansas Chamber feels most areas which would be changed through the passage of HB 2993 are beyond the employer's responsibility to provide unemployment compensation benefits to individuals who "become unemployed through no fault of their own" and should be disallowed from receiving unemployment compensation.

Three of the changes in HB 2993 involve the "voluntary quit" provision of the state's employment security law.

1) Individuals who voluntarily quit their job to accompany a spouse who has accepted employment in a different geographic location would no longer qualify for benefits. In fiscal year 1991, there were 759 individuals cleared to receive unemployment compensation benefits under this provision.

HB 2993 maintains the current provision permitting unemployment compensation in cases where the spouse's job transfer is involuntary.

2) HB 2993 would amend the voluntary quit provision concerning workplace harassment. KCCI feels the amended language would have little effect on the application of this provision.

In FY 1991, there were 201 cases filed under this provision. Thirty nine percent of the cases led to employees being cleared for benefits.

3) The voluntary quit provision concerning an employee quitting a job because the employee was asked to perform an illegal act would be amended by HB 2993 to require the employer have knowledge of the request on the employee.

This voluntary quit provision is seldom used. In 1991, there were 18 cases filed under this provision, with nine of the cases leading to an individual receiving unemployment compensation.

The other two provisions in HB 2993 concern dismissals for misconduct.

1) In the employee misconduct section concerning use of non-prescribed controlled substances, the term "while working" is struck. This would address an employer concern

when an employee's use of controlled substances away from work is substantially adverse to the employer's interest.

2) The final provision in HB 2993 concerns dismissals due to an employee's inefficiency or inability to deliver satisfactory performance. KCCI feels this change remains in the realm of an employee who is unemployed through no fault of their own, and do not encourage the Committee to approve this portion of HB 2993.

Thank you for this opportunity to comment on HB 3069 and HB 2993. I would be happy to attempt to answer any questions.

TESTIMONY

Kansas Department of Human Resources

SUMMARY FOR HOUSE BILL NO. 2993

Page 1
Lines 38
and 40

It is an apparent attempt to make certain separation situations more restrictive to allowing benefit payments to unemployed workers with respect to a spouse who must accompany a spouse when work is obtained outside the regular commuting distance.

Page 2
Lines 25-27

It is less restrictive when a worker is subjected to harassment by other elements in addition to the employer or another employee.

Page 2
Lines 40-41

No problem with this additional language.

Page 3
Lines 34
and 41

The striking of the words "while working" in 44-706(b)(2) would tend to lessen the clarity of the subsection and would also tend to confuse. It might also affect possession of cereal malt beverage or alcohol in the home.

Page 4
Lines 36-38

The deletions in 44-706(b)(4)(B) would be more restrictive resulting in more disqualifications for those individuals who fail the work performance standards that may be reasonable or unreasonable that may be established by the employing unit. This change may also have an extreme negative effect upon individuals who might be afraid to accept unfamiliar work if the thought of failure would be a loss of benefits. It retards attempts at job switching for advancement.

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Attachment #4*

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STATEMENT OF TESTIMONY

RE: HB-3069, before House Committee on Labor and Industry

DATE: March 3, 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. 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 House Bill 3069 that would maintain the unemployment fund balance at two and one half percent of total payroll.

- o OUR ACCOUNT BALANCE AT THE BEGINNING OF 1992 WAS 1.1 MILLION DOLLARS. I'M EXPECTING IT TO REACH 1.3 MILLION DOLLARS BY THE END OF 1992. This is money we've paid in that is gone forever. We can't show it as an asset on our Balance Sheet and we can't use it as collateral for a loan.
- o Our claims average \$50,000 per year. At that rate, claims could be paid out of our account for more than 20 years.
- o The fund is currently large enough that claims could be paid for 16-18 months with no employer contributions and we know that is not going to happen.
- o We certainly don't want to draw the fund down to levels where it could possibly not have enough money to pay claims, but the current level is excessive and is overkill.
- o This bill would even further lessen the impact of SB-275 that raises the taxable wage wage.
- o I would ask that you please pass HB-3069.

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Attachment #5*



Kansas Department of Human Resources

Joan Finney, Governor
Joe Dick, Secretary

Division of Staff Services

Labor Market Information Services

401 S.W. Topeka Boulevard, Topeka, KS 66603-3182
913-296-5058 -- 913-296-0179 (Fax)

February 28, 1992

Ms. Jackie Summerson
Manpower Temporary Services
2901 SW Burlingame Road
Topeka, Kansas 66611

Subject: Negative Balance Accounts

Dear Ms. Summerson:

This is in response to your inquiry regarding negative balance accounts. During state fiscal year ended 1989 the following information is available. Benefit charges to negative accounts were \$43,565,636 and contributions were \$21,076,713.

Unfortunately this is the most recent information available. I must also inform you that information regarding a benefit cost rate by two-digit industry would require special ADP computer programming to obtain. An attempt will be made to look into more meaningful data that may be provided.

In the meantime if you have any questions, please contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read 'William H. Layes'.

William H. Layes, Chief
Labor Market Information Services

cc: Bob Molander
Bob Stacks

WHL:mm

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attachment #6