

Approved: 3/9/95 lpa
Date

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at 9:04 a.m. on February 24, 1995 in Room 526-S of the Capitol.

All members were present except: Rep. Barbara Ballard - excused
Rep. Gary Merritt - excused
Rep. Candy Ruff - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Bev Adams, Committee Secretary

Conferees appearing before the committee: Bob Nugent, Revisor of Statutes

Others attending: See attached list

Staff Briefing on:

HB 2540--Establishes benefit ratio contribution system for unemployment tax

Bob Nugent, Revisor, explained to the committee that **HB 2540** changes the contribution method for unemployment tax from the reserve ratio to the benefit ratio system. This bill deals with experience rating. Experience rating should achieve four things: 1) provide that the fund is adequately funded, 2) provide for the proper allocation of costs between employers who are participating, 3) should encourage employers to actively participate in program, and 4) encourage employers to stabilize their employment. The majority of the states have the reserve fund ratio contribution system for unemployment tax, 17 to 18 have the benefit ratio formula that is contained in **HB 2540**.

The benefit ratio does a couple of things that reserve ratio does not do. Its main purpose is it is actuarially more sound than the system we use now. It has been drafted to take effect in 1997 after the moratorium contained in **HB 2305** ends. For year 1997 and all years thereafter, a benefit ratio shall be computed for each eligible employer by the following method: Total benefits charged to the employer's account during the five periods of four consecutive calendar quarters immediately preceding the computation date shall be divided by the employer's annual taxable payroll for the same period. This differs from our current law in that the employers contributions or taxes paid are not figured into the formula. Also the benefits charged only go back five years not the whole employment history as it does now. Also it is gauged strictly by benefits. It would require that the employers who use the fund most would pay the most and the employers who use it less will pay less. Another change that the bill makes is that it will raise the taxable wage base. This amendment would raise the taxable wage base \$1,000 per year until the taxable wage base is indexed at 60% of the statewide average wage, which should be around \$12,000. This would benefit all employers because it would reduce rates.

Chairman Lane asked Bill Layes, KDHR, if he wanted to talk about **HB 2540**. Mr. Layes said he had no comments at this time.

Chairman Lane explained to the committee that he plans to ask for an interim study on **HB 2540** because it proposes a major shift in policy. He has asked that **HB 2135, HB 2525, and HB 2540**, be blessed by the speaker. Rep. Heineman also requested that **HB 2292** be blessed.

The meeting adjourned at 9:30 a.m.

The next scheduled meeting will be March 7, 1995.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE February 24, 1995

| NAME | REPRESENTING |
|------------------|----------------------------|
| Bill Lyles | KS Dept. Human Resources |
| PAUL BICKNELL | " " " " |
| Edwin W. Staylor | " " " " |
| Jon Newman | KS Governmental Consulting |
| Jeff Chanay | Manpower |
| Jehi Summerson | Manpower |
| Terry Leatherman | KCCF |
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