

Approved: February 21, 1992
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 20, 1995 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Gooch, Harris, Hensley, Kerr, Petty, Ranson, and Steffes.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:
Jamie Clover Adams, Kansas Grain and Feed Association and the
Kansas Fertilizer and Chemical Association
William Layes, Labor Market Information Services,
Department of Human Resources

Others attending: See attached list

SB 235 - Employment security; reduction of employer contribution rates

Jamie Clover Adams, appeared before the Committee on behalf of both the Kansas Grain and Feed Association and the Kansas Fertilizer and Chemical Association, voicing their support of SB 235. Ms. Adams stated that the proposed legislation is a "win-win" for everyone. It is a savings to businesses rather than a tax shift. See attachment 1

Bill Layes, Labor Market Information Services, provided the Committee comparative data on current law, SB 26, SB 235 and HB 2305 as amended for years 1995 - 1999. The comparative data illustrated the impact of SB 235 with a .50% and .60% reduction as well as a .40% reduction as drafted. Mr. Layes also provided information setting forth the impact the different bills and percentages would have on businesses with employees over 100 and smaller businesses with employees of 5 or over. See attachment 2

The projections used by the Division were based on a 7% growth in CPI and employment and wages. The figures identified that under either of the bills considered, there would be a savings to employers. Mr. Lays advised that he could not provide figures beyond 1999 as those figures would be dependent upon the economy and there was no way to project economy growth or decrease at this time.

The chair requested additional data on reducing rates in HB 2305 by .50% and .60% and a computer run illustrating the effect of enacting SB 235 in 1996.

HB 2305 - Two year moratorium on employment security fund contributions for positive balance employers

Bob Nugent, Revisor, explained the provisions of HB 2305 as amended by the House Committee of the Whole. The bill provides a "safety net" for new employers establishing payment at the rate of 1% rather than the average industry rate plus 1% as the law presently requires. The bill provides for a two year moratorium for all businesses that have positive trust fund balance; a rate reduction of .40% beginning in 1997; an employer survey that is to be on a voluntary basis; and an effective date upon publication in the Kansas register.

The Chair advised that SB 235 and HB 2305 will be scheduled for possible action on Friday, February 24.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m.
on February 20, 1995.

Upon motion by Senator Ranson, seconded by Senator Harris, the Minutes of the February 17, 1995 meeting were unanimously adopted.

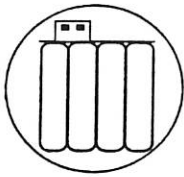
The Committee adjourned at 9:00 a.m.

The next meeting is scheduled for Tuesday, February 21, 1995.

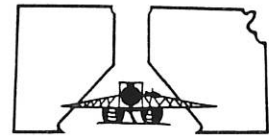
SENATE COMMERCE COMMITTEE GUEST LIST

DATE: February 20, 1995

NAME	REPRESENTING
TERRY LEATHERMAN	KCCI
Jikki Summerson	Manpower
Jeff Chanay	Manpower
Hal Hudson	NFIB/KS
Roger Truendo	EER
David B. Dalton	Division of the Budget
Art BROWIX	mid-Am Sun Demos ASSN
Rich McKee	KS Livestock Assoc
Jonathan Small	Learjet, Koch Industries
ALAN COBB	KS Assoc For Small Business
BILL JARRELL	BOEING
JANET STUBBS	Ks. Bldg. ^{IND.} ASSN
Mark Borce Gins	KDOCI
Linda Tierce	Ks. Dept Human Resources
BILL LAYES	" " " "
PAUL BICKNELL	" " " "
Bob Totten	Ks Contractors Association



**Kansas Grain & Feed Association
Kansas Fertilizer & Chemical Association**



**STATEMENT TO
THE SENATE COMMERCE COMMITTEE
SENATOR ALICIA SALISBURY, CHAIR
REGARDING S.B. 235
FEBRUARY 20, 1995**

*Feb 20, 1995
Commerce
Attachment*



KGFA & KFCFA advocate public policies that advance a sound economic climate for agribusiness to grow and prosper so they may continue their integral role in providing Kansans and the world with the safest, most abundant supply of food and fiber.

The Kansas Grain and Feed Association

..... a voluntary state organization founded in 1896 providing governmental representation, educational opportunities and a wide variety of other services to the vast and indispensable grain and feed marketing system. The 1200 members of the KGFA include country elevators, subterminal and terminal elevators, feed manufacturers, grain merchandisers and allied industries such as railroads, grain exchanges, equipment manufacturers and insurance firms.

The Kansas Fertilizer and Chemical Association.....

..... a voluntary professional association for those involved in the plant nutrient and crop protection industry. KFCA represents our nearly 500 members interests in legislative matters at all levels of government, as well as providing educational opportunities and business services. The industry is committed to professional development and business viability for the plant nutrient and crop protection retail industry.

Madam Chair and members of the Committee, I am Jamie Clover Adams appearing today on behalf of both the Kansas Grain and Feed Association (KGFA) and the Kansas Fertilizer and Chemical Association (KFCA) to support S.B. 235. While the two associations share staff, they have distinct memberships, separate boards of directors and association programs. KGFA's 1200 members include country elevators -- both independent and cooperative -- subterminal and terminal elevators, feed manufacturers, grain merchandisers and others who serve the industry. KFCA's nearly 500 members are primarily plant nutrient and crop protection retail dealers, but also include manufacturer's representatives, distribution firms, and equipment manufacturers.

This legislation is a win-win for all parties. Like other businesses up and down main street in both small towns and large cities, agribusiness shares the desire to reduce the unemployment compensation tax burden for all employers while insuring unemployment security for workers who become unemployed through no fault of their own. S.B. 235 does both.

Further, it is true savings rather than merely a tax shift. Unlike other proposals floating around this session, KGFA and KFCA members did not end the discussion of unemployment compensation payment reduction with the comment that "we'll pay it one way or another." This reduction is money in their pockets with which to finance capital improvements, salary increases, job creation and other activities that puts money back into the community.

I will not dwell on the technical aspects of the bill as it has been ably covered by others. KGFA and KFCA would just add their support, as part of the business community for a proposal that reduces a tax burden without shifting it and provides continued support to those individuals needing assistance from the unemployment compensation fund. I thank you for this opportunity to express our support for S.B. 235.

Table 1
Comparison of 1995 Kansas Legislative Bills

<u>Item</u>	<u>Current Law</u>	<u>Senate Bill 26 and House Bill 2135</u>	<u>House Bill 2305</u>	<u>House Bill 2305 (as amended)</u>	<u>Senate Bill 235</u>
<u>Effective Rate Year</u>	NA	CY 1995 and thereafter	CY 1995 & 1996	1. Low Rates 1995 & 1996 2. Adjusted down for 1997	CY 1996 and thereafter
<u>Principle change(s)</u>	NA	Revise Schedule III	1. Employer Rates 2. Employer Survey 3. "Safety Valve" Rates for '96	1. Income reduced 2. New employer rates at 1.0% 3. Employer Survey	Revise Schedule III ; New employer rates ; Positive eligible rates .
<u>Schedule III Ranges Planned Yield</u>	0.30-1.60%	0.10-1.40%	No Change	0.10-1.40%	0.00-1.20%
<u>Schedule III Centered Planned Yield</u>	0.90%	0.70%	No Change	0.70%	0.50%
<u>New Employer Rates</u>	The greater of the average rate for the industry or all employers plus 1%.		One per cent	1995-1996, 1%. If RFR less than 2.0 in 1996, then revert to current provisions.	The greater of the average rate for the industry or all employers (Removes the 1% add on)
1995 by Industry					
Agriculture	3.46%	3.46%	1.00%	1.00%	3.46%
Mining	4.05%	4.05%	1.00%	1.00%	4.05%
Construction	5.06%	5.06%	1.00%	1.00%	5.06%
Manufacturing	3.60%	3.60%	1.00%	1.00%	3.60%
All Other	3.44%	3.44%	1.00%	1.00%	3.44%
<u>Negative Balance Rates Range of rates</u>	5.40% plus surcharge 5.50%-6.40%	No Change	No Change	No Change	No Change
<u>Positive Eligible Rates</u>	Accounts are arrayed in 51 equal equal groups based on reserve ratio and taxable wages; Avg. rate is adjusted to planned yield taxable wages and multiplied by experience factor to derive rates.	No Change	1995-1996, 0%; Same as current law 1997 and thereafter.	1995-1996, 0%; Same as current law 1997 and thereafter.	0% rate for employers with reserve ratio 0.20% or greater and remove these employers from the array.

Attachments
 February 20, 1995
 Commerce

February 20, 1995
 Commerce Page 1

Attachment 2 thru 4

Table 2
Comparison of 1995 Kansas Legislative Bills

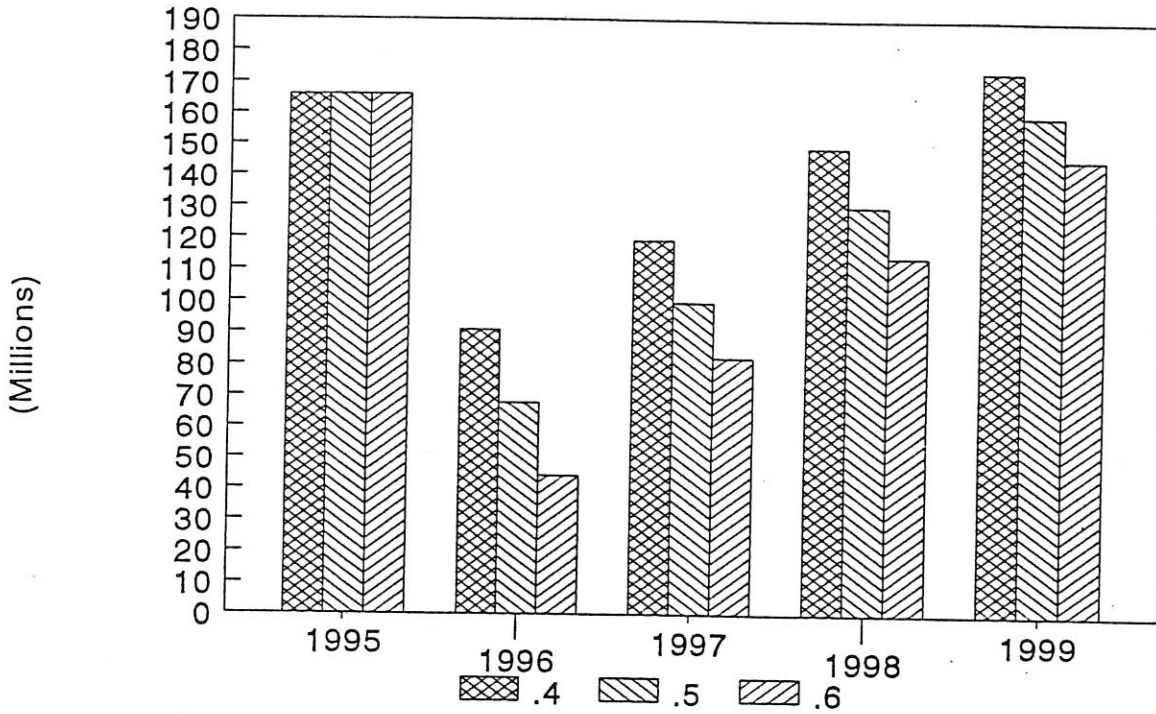
Item	Current Law	Senate Bill 26 and House Bill 2135	House Bill 2305	House Bill 2305 (as amended)	Senate Bill 235 Schedule III Reduced By		
					4	5	6
<u>Range of rates</u>							
CY 1995	0.05-3.68			0.05-3.68			
CY 1996	0.05-3.93	0.03-2.41	0.00-0.00	0.00-0.00	NA	NA	NA
CY 1997	0.05-4.13	0.04-2.93	0.00-0.00	0.00-0.00	0.02-1.68	.01 - .94	.01 - .21
CY 1998	0.05-4.25	0.04-3.25	0.09-5.40	0.04-3.25	0.03-2.34	.04 - 1.75	.02 - 1.23
CY 1999	0.05-4.31	0.04-3.57	0.08-5.40	0.04-3.57	0.04-2.92	.03 - 2.11	.02 - 1.97
		0.05-3.82	0.08-5.40	0.05-3.82	0.04-3.29	.04 - 2.92	.03 - 2.55
<u>Estimated Contributions</u>							
CY 1995	\$165.7M	\$122.1M	\$49.0M	\$49.0M	\$165.7M	\$165.7M	\$165.7M
CY 1996	\$186.4M	\$149.1M	\$30.0M	\$30.0M	\$90.9M	\$67.6M	\$44.3M
CY 1997	\$206.7M	\$171.8M	\$273.9M	\$174.3M	\$119.5M	\$99.6M	\$82.2M
CY 1998	\$226.1M	\$196.6M	\$276.6M	\$196.6M	\$149.0M	\$130.3M	\$114.4M
CY 1999	\$245.1M	\$222.3M	\$265.0M	\$216.6M	\$173.9M	\$159.6M	\$145.4M
<u>Trust Fund Balance, End of Year</u>							
CY 1995	\$752.5M	\$704.6M	\$630.8M	\$630.8M	\$752.5M	\$752.5M	\$752.5M
CY 1996	\$812.2M	\$707.7M	\$503.8M	\$503.8M	\$696.4M	\$673.1M	\$648.8M
CY 1997	\$891.3M	\$726.5M	\$612.7M	\$510.1M	\$658.9M	\$613.7M	\$570.0M
CY 1998	\$964.1M	\$783.3M	\$724.4M	\$531.9M	\$640.9M	\$574.0M	\$510.4M
CY 1999	\$1,054.7M	\$825.6M	\$846.4M	\$572.5M	\$644.8M	\$558.6M	\$475.8M
<u>LIR File no.</u>							
		95-09	95-42	95-48	95-47		

2-2

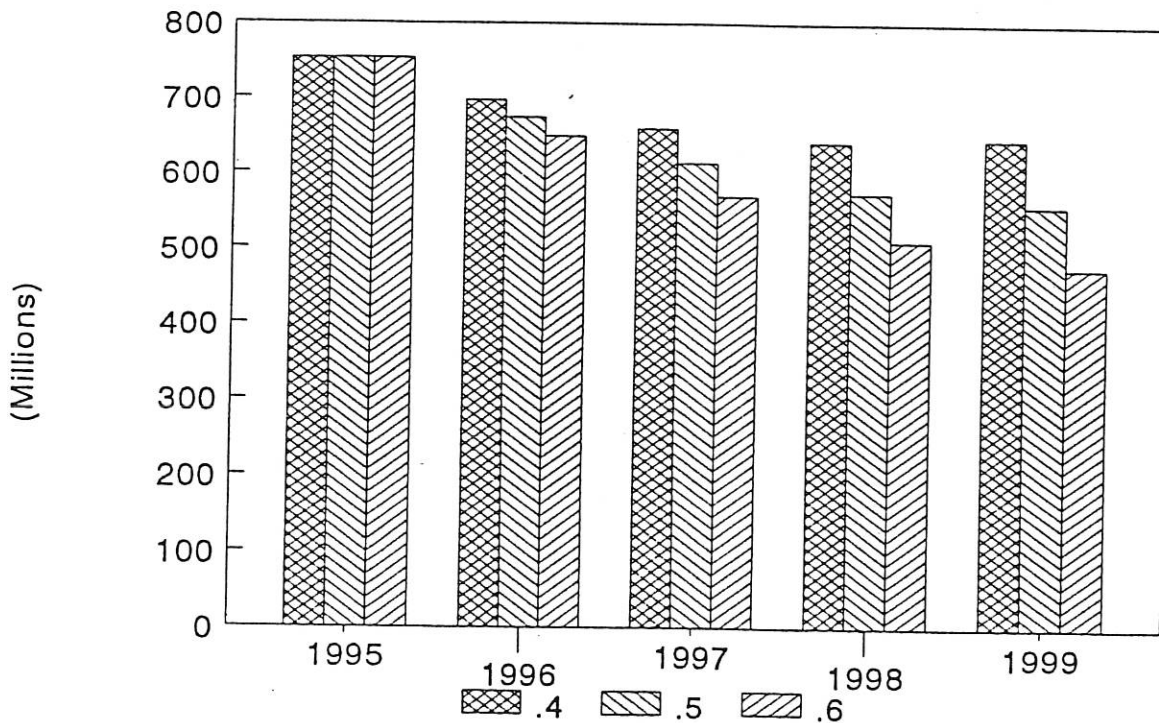
2-2

2-3

Graph 1
 Estimated Contributions SB 235
 at Various Reductions
 CY 1995 - 1999



Graph 2
 Estimated Trust Fund Balances
 at Various Reductions
 CY 1995 - 1999



2-3

Table 4
 SELECTED EMPLOYERS: AFFECT OF SB 235
 RATE YEARS 1996-1999

EMPLOYER	CURRENT LAW	1996				1997				1998				1999			
		HB 2305	CURRENT SB 235	.5	.6	HB 2305	CURRENT SB 235	.5	.6	HB 2305	CURRENT SB 235	.5	.6	HB 2305	CURRENT SB 235	.5	.6
<u>LARGE EMPLOYERS</u>																	
EMPLOYER A 17 18532	1.18	0.00	0.54	0.30	0.07	2.12	0.75	0.56	0.39	1.98	0.93	0.77	0.63	1.89	1.05	0.93	0.82
EMPLOYER B 6 20525	.37	0.00	0.00	0.00	0.00	0.66	0.00	0.00	0.00	0.62	0.00	0.00	0.00	0.59	0.00	0.00	0.00
EMPLOYER C 22 17924	1.55	0.00	0.70	0.40	0.09	2.78	0.98	0.74	0.52	2.59	1.23	1.01	0.83	2.48	1.38	1.23	1.07
EMPLOYER D 11 19358	.74	0.00	0.34	0.19	0.04	1.32	0.47	0.35	0.25	1.23	0.58	0.48	0.39	1.18	0.66	0.58	0.51
EMPLOYER E 10 19509	.66	0.00	0.30	0.17	0.04	1.19	0.42	0.32	0.22	1.11	0.53	0.43	0.35	1.06	0.59	0.53	0.46
<u>SMALL EMPLOYERS</u>																	
EMPLOYER F 13 19131	.88	0.00	0.40	0.23	0.05	1.59	0.56	0.42	0.30	1.48	0.70	0.58	0.47	1.42	0.79	0.70	0.61
EMPLOYER G 35 15757	2.50	0.00	1.14	0.64	0.14	4.49	1.59	1.19	0.84	4.20	1.99	1.64	1.34	4.01	2.23	1.99	1.74
EMPLOYER H 23 17715	1.62	0.00	0.74	0.42	0.09	2.91	1.03	0.77	0.54	2.72	1.28	1.06	0.87	2.60	1.45	1.28	1.12
EMPLOYER I 1 33707	.05	0.00	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.08	0.00	0.00	0.00	0.07	0.00	0.00	0.00
EMPLOYER J 41 13919	2.94	0.00	1.34	0.76	0.17	5.29	1.87	1.40	0.99	4.94	2.34	1.93	1.57	4.72	2.63	2.34	2.04

7-2

2-4