

Approved: 1/24/96 ka
Date

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

The meeting was called to order by Chairman Al Lane at 9:05 a.m. on January 19, 1996 in Room 526-S of the Capitol.

All members were present except: Rep. Grant - excused
Rep. Henderson - 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: Paul Bicknell, KDHR
Representative Greg Packer
Roger Aeschliman, KDHR
Terry Leatherman, KCCI
Hal Hudson, Mid-America Lumberman's Assn.

Others attending: See attached list

Linda Tierce, Chief of Benefits, Division of Employment Security, Kansas Department of Human Resources, made available to the committee copies of the latest Handbook for Employers, a guide to the Kansas Employment Security Law. Copies are available from their office at 401 SW Topeka Boulevard, Topeka Kansas 66603-3182.

Paul Bicknell, Contributions, Division of Employment Security, Kansas Department of Human Resources, appeared before the committee to read in testimony to add to the testimony of Reggie Davis (see Attachment 1 on January 18, 1996) about "direct sellers." He reported that the Direct Seller's Association appeared before the Employment Security Advisory Council at two of their meetings and submitted draft language to exclude "direct sellers" from the definition of employment in the Employment Security Law. On a voice vote, the Council defeated the motion to support the exclusion. (see Attachment 1)

Hearing on:

HB 2650 - extending the employment security tax moratorium for an additional year

Representative Greg Packer, author of **HB 2650** which he calls EMPACT II, briefed the committee on the effects **HB 2305** (the moratorium on unemployment taxes for CY1995 and 1996, which was passed in 1995) had on the Employment Security Trust Fund. Due to the success of last year, he is asking for the passage of **HB 2650**, an extension of the moratorium for one year (CY 1997). (see Attachment 2) He finished by answering questions from the committee.

Roger Aeschliman, Deputy Secretary/Director of the Division of Staff Services, Kansas Department of Human Resources, brought testimony from Wayne Franklin, the Secretary of the Kansas Department of Human Resources, in support of **HB 2650**. The KDHR has stayed in touch with Governor Graves and legislators since the last session and they are in support of an extension of the moratorium. The department feels the bill contains responsible language that would prohibit the extension of the moratorium for 1997 if the fund drops too low. It would not require any added staff or create additional expenditures. They believe it would be a boost to the Kansas economy. Secretary Franklin sent his regards. (see Attachment 3)

Paul Bicknell, KDHR, also answered questions from the committee and staff concerning **HB 2650**.

Art Brown, Mid-America Lumbermens Association, was not able to attend the meeting today but submitted written testimony in support of **HB 2650**. (see Attachment 4)

Terry Leatherman, Kansas Chamber of Commerce and Industry, testified before the committee to express KCCI's enthusiastic support of **HB 2650**. They agree that the action a year ago to impose a two year moratorium was appropriate and that extending the moratorium for a third year should be approved. (see Attachment 5)

Hal Hudson, Kansas State Director, National Federation of Independent Business (NFIB), appeared before the committee in support of **HB 2650**. NFIB is the State's largest small-business advocacy group, with over 8,000 members who employ more than 100,000 Kansans. They supported the moratorium enacted last year, which put thousands of dollars back in the hands of small business owners, and feel that an extension of the moratorium is justified. (see Attachment 6)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR, Room 526-S
Statehouse, at 9:05 a.m. on January 19, 1996.

Wayne Maichel, Kansas AFL/CIO, faxed testimony in support of **HB 2650** to the committee. (see Attachment 7)

Chairman Lane asked the audience if there was anyone else who would like to testify on **HB 2650**. Getting no response, he closed the hearing on the bill.

Committee discussion was opened on **HB 2650**. Rep Packer moved that the committee pass out **HB 2650** favorably. It was seconded by Rep. Pauls. The motion carried.

The meeting was adjourned at 9:52 a.m.

The next meeting is scheduled for January 23, 1996.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE January 19, 1996

NAME	REPRESENTING
Linda Tierce	KDHR
Paul Bicknell	KDHR
Bill Laves	KDHR
Roger Aeschliman	KDHR
Gill Coppell	Intern
Alan Holmes	DOB
Bill Juice	BOEING
Hal Hudson	NFIB/KS
Bob Grant	KCC
Terry Leatherman	KCCI
Juli Sumner	Manpower
JASON PITENBERGER	KCC
Jimmy Clunk	Overland Park Chamber of Commerce

The Direct Seller's Association appeared before the Employment Security Advisory Council at two of their meetings and submitted draft language to exclude "direct sellers" from the definition of employment in the Employment Security Law. They asked the Council to endorse this language. A motion was made and seconded to exclude direct sellers. A discussion followed which pointed out that the Law currently has provisions to exclude any direct seller that is truly an independent contractor. The proposal submitted by the Direct Sellers Association would statutorily exclude some direct sellers that are currently covered since they perform their services in an employer/employee relationship. On a voice vote, the Council defeated the motion to support the exclusion.

*House Business, Commerce
& Labor Committee
1/19/96
Attachment 1*

STATE OF KANSAS

GREG A. PACKER

REPRESENTATIVE, FIFTY-FIRST DISTRICT
7200 WATTLING CT
TOPEKA, KANSAS 66614
(913) 478-0502
OFFICE:
STATE CAPITOL, 112-S
TOPEKA, KANSAS 66612-1504
(913) 296-7689
1-800-432-3924



TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS

VICE CHAIR: BUSINESS, COMMERCE, AND LABOR
ECONOMIC DEVELOPMENT
FEDERAL AND STATE AFFAIRS
JOINT COMMITTEE ON ARTS AND CULTURAL
RESOURCES

January 19, 1996

Thank you Mr. Chairman and members of the committee. I know when success is apparant, many stand to take the credit. And we have all been here long enough to know when failure is evident, the originators stand alone. As I speak before you today, introducing a bill to add a year to the very successful unemployment tax moritorium, I am very proud to say that the team that put this legislation together is not standing alone.

A year ago, after this concept was formed, I decided on the acronym Empact to describe the plan. It would therefore, seem only fitting that the legislation committed to extending the moritorium be labled Empact II.

The Employment Progress and Cooperation Tax Act of 1995 saved Kansas businesses 150 million dollars over the past year. Not to mention the tremendous positive impact it had on our state's economy. In 1994 our unemployment tax fund brought in 176.5 million dollars. The interest that was accrued in 94 was around 44 million dollars. The estimates we made for 1995 are located in attachment #1.

Our actual numbers are as follows:

1996 beginning balance: \$688,600,000

House Business, Commerce & Labor
1/19/96
Attachment 2

\$50,000,000 more than expected

1995 contributions \$57,000,000

\$8,000,000 more than expected

1995 out flows \$147,000,000

\$39,000,000 less than expected

1995 interest \$51,400,000

\$7,400,000 more than expected

It doesn't take a math whiz to figure out that we have \$54,400,000 more than was projected. This coupled with the lowest unemployment rate Kansas has ever seen, has provided an environment that is extremely conducive to adding another year to the moratorium. Therefore, through coordination with the Governor's office I am pleased to introduce to you House Bill 2650 that would extend the moratorium into 1997.

Roger Aeschliman

TESTIMONY
House Bill 2650
January 19, 1996

Good morning Mr. Chairman and members of the committee. I am Wayne Franklin, Secretary of the Kansas Department of Human Resources. I appear before you this morning in support of House Bill 2650.

House Bill 2650 would extend the current moratorium on unemployment insurance tax through calendar year 1997. The Kansas Employment Security Trust Fund stands at \$688M. As you know, our agency closely monitors the Employment Security Trust Fund which provides for the payment of benefits to unemployed Kansans. The current level of the fund is well within acceptable standards of adequacy.

The Kansas economy continues to demonstrate exceptional growth. This continued expansion has allowed the economy to generate thousands of jobs for Kansans. Moreover, the November unemployment rate was 3.9%, well below the national rate of 5.5%. We have no compelling reason to believe that this trend will not continue.

Should the economy experience a downturn requiring large draws from the Trust Fund, HB2650 contains responsible language which would prohibit extension of the moratorium for 1997. We believe this "safety net" is critical to protect employers and those who are forced to rely on this fund for the payment of benefits.

*House Business, Commerce
& Labor Committee
1/19/96
Attachment 3*

The Kansas Department of Human Resources would require no additional staff to administer the extension of the moratorium. We believe the extension will benefit all segments of the Kansas economy by providing meaningful tax breaks to Kansas employers which undoubtedly will be used to create even more jobs through the Kansas economy.

Mr. Chairman, that concludes my testimony. Thank you for the opportunity to appear here.

I will answer any questions you have.



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816/931-2102 FAX 816/931-4617

MID-AMERICA LUMBERMENS ASSOCIATION

TESTIMONY TO THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE

House Bill # 2650

January 19, 1996

Mr. Chairman, members of the committee. My name is Art Brown. I represent the retail building material dealers in the State of Kansas through the Mid-America Lumbermens Association.

A prior business committment has kept me from personally appearing before you today as a proponent for passage of HB 2650, an extension of the moratorium on the unemployment reserve fund. With as much enthusiasm as can be mustered on paper, we profoundly support this bill.

This is one of those issues that I don't have to call any member on to "take a pulse" on how they feel. This was a winner last year, and we were quite pleased to hear the Governor in his State of the State recommend an extension to this program for one more year.

In a visit with you, Mr. Chairman, we have assurances that this in no way changes the current administration of the moratorium, save for a provision for new employers as of 1995. We support that change.

Speaking for our membership, we heartily support this committees efforts to extend this most appreciated and beneficial piece of Legislation and are hopeful that it can be passed out of committee and the Legislature and be on the Governors desk his for signature at

*House Business,
Commerce & Labor
1/19/96
Attachment 4*

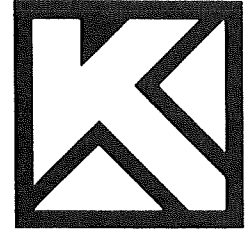


the earliest possible date.

As most of you know, I am not hard to find around the capitol. If any committee members have any comments or questions, I will address them at any time. We thank you for your serious consideration and support on this issue.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732
HB 2650

January 19, 1996

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Business, Commerce and Labor

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 this opportunity to express KCCI's enthusiastic support for HB 2650.

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.

HB 2305, 1995's legislation creating a two-year unemployment compensation tax moratorium and a massive permanent decrease in unemployment taxes, was considered remarkable legislation when it was signed into law nearly a year ago. When the issue is examined today, it is very clear the Legislature's action a year ago was appropriate and that extending the moratorium for a third year should be approved.

*House Business, Commerce
& Labor Committee
1/19/96
Attachment 5*

The key test for determining the merit of HB 2650 is the condition of the Kansas Employment Security Trust Fund, a pot of money exclusively financed by employer tax dollars to pay benefits to unemployed Kansas workers. When one considers that the first year of the u.c. tax moratorium relieved 45,000 Kansas employers from paying unemployment taxes, the Trust Fund is in remarkable condition.

*Kansas closed 1995 with a Trust Fund balance of \$695 million. At that level, Kansas would undoubtedly remain at or near the top ten of states in all key Trust fund solvency tests and would remain ahead of neighboring states.

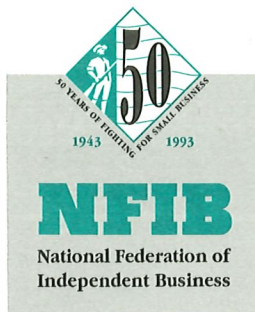
*Today's Trust Fund level is \$70 million higher than Kansas Department of Human Resources and KCCI estimates of where the Trust Fund was expected to be after the first year of the moratorium.

One year after the passage of the moratorium bill, there are positive signs in all directions regarding unemployment in Kansas. The insured unemployment level is lower than it has been in 20 years, Kansas employers have retained over \$100 million that would have been paid in unemployment taxes and the Trust Fund remains extremely solvent. Due to all the positive developments during year one of the unemployment tax moratorium, the Kansas Chamber would urge your support for HB 2650, extending this Kansas success story through 1997.

Thank you for the opportunity to express KCCI's support for HB 2650. I would be happy to answer any questions.

LEGISLATIVE

TESTIMONY



**Testimony of
Hal Hudson, Kansas State Director
National Federation of Independent Business**

**Before the Kansas House Business, Commerce and Labor Committee
on House Bill 2650**

Friday, January 19, 1996

Mr. Chairman and members of the Committee: Thank you for this opportunity to appear here today in support of H.B. 2650 - extending the employment security tax moratorium for an additional year.

My name is Hal Hudson. I am State Director for the Kansas Chapter of National Federation of Independent Business. NFIB is the State's largest small-business advocacy group, with over 8,000 members who employ more than 100,000 Kansans. NFIB represents a broad cross section of Kansas employers who have one thing in common -- they all are small businesses. Over 80 percent of our members have 15 or less employees, and only one percent of our members employ over 100.

According to the Kansas Department of Commerce and Housing, over 75 percent of all new jobs created in Kansas over the past several have been created by small business. This is important to the State's economy as a time when big business is downsizing and laying off workers.

NFIB supported the moratorium enacted by the legislature last year, which has put thousands of dollars back in the hands of small business owners. It has enabled them to create new jobs, improve benefits to present employees, or buy new equipment to expand their businesses. Extension of that moratorium appears to be justified.

I urge you to support enactment of H.B. 2650, and to encourage you to consider extending the moratorium even further, if fund balances continue sufficient to allow it.

Thank you.

House Business, Commerce & Labor

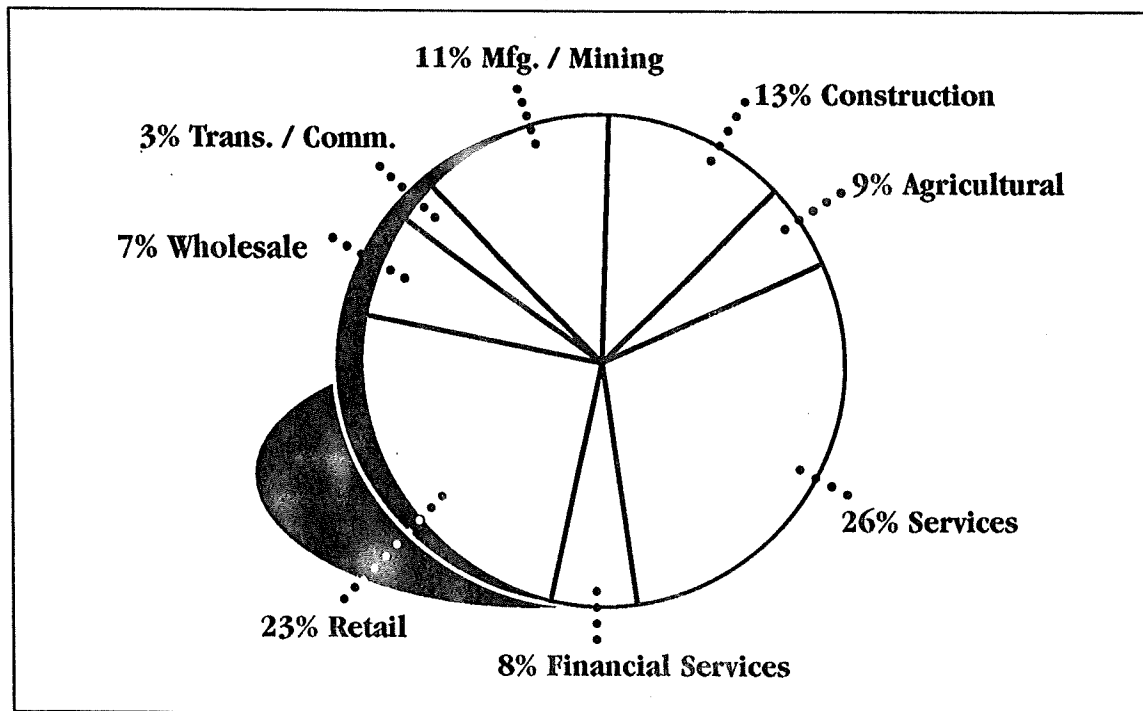
About NFIB / Kansas

Since 1943, business owners from all walks of commercial life have joined the National Federation of Independent Business to have a powerful, united voice in government decision making. Today, NFIB's Kansas chapter has more than 7,800 members, making it the largest small-business advocacy group in the state.

Each year NFIB/Kansas polls its entire membership on a variety of state legislative and regulatory issues. The federation uses the poll results to set its legislative agenda and aggressively promotes those positions approved by majority vote.

This democratic method of setting policy assures that the positions advanced by NFIB reflect the consensus views of the entire small-business community rather than the narrow interests of any particular trade group. Lawmakers wanting to know how proposed legislation and regulation will affect Main Street businesses can get the authoritative answer from NFIB's legislative office in Topeka.

NFIB / Kansas Membership by Industry Classification

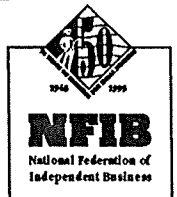


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NFIB Federal Legislative Office
600 Maryland Ave. SW, Suite 700
Washington, DC 20024
(202) 554-9000

NFIB/Kansas
3601 S. W. 29th St., Suite 116B
Topeka, KS 66614-2015
(913) 271-9449

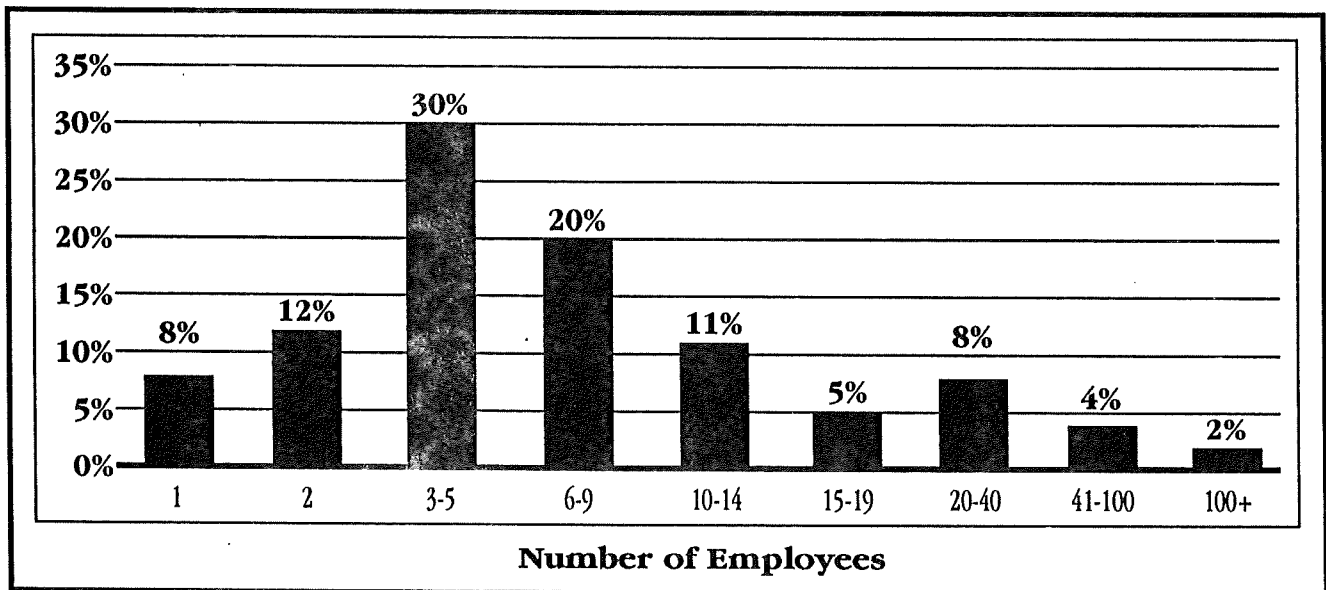
NFIB Membership Development
53 Century Blvd., Suite 205
Nashville, TN 37214
(615) 872-5300



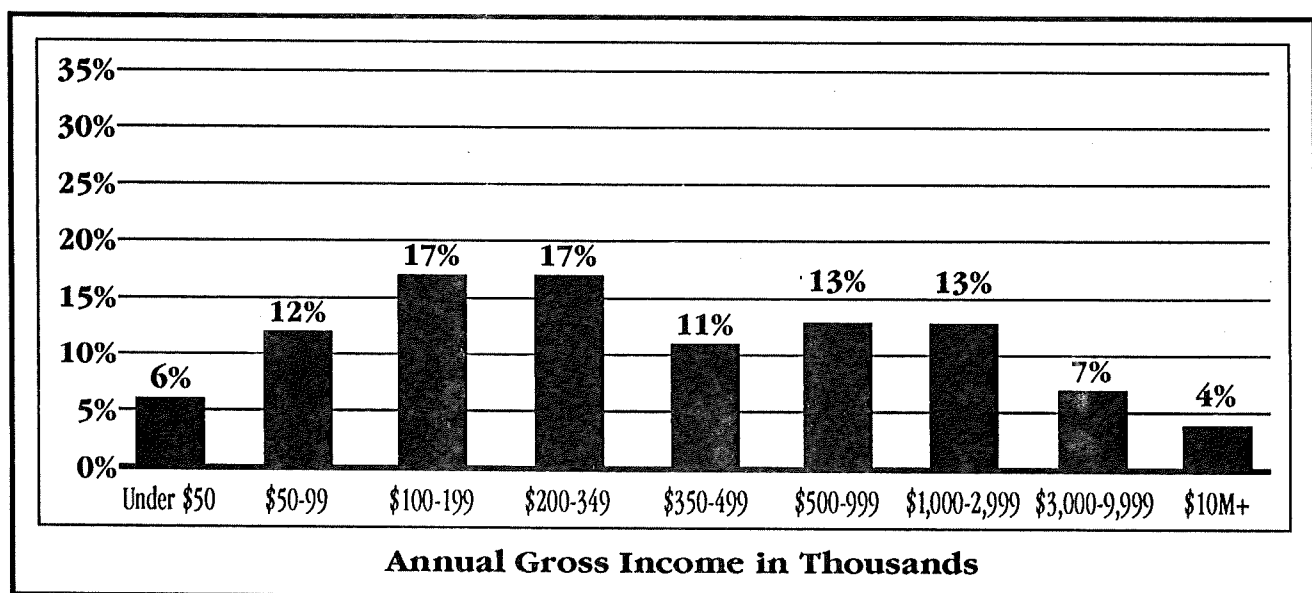
NFIB / Kansas Membership Profile

NFIB/Kansas represents the entire spectrum of independent business, from one-person home-based operations to enterprises employing more than 100 people. The typical NFIB/Kansas member is quite small, employing five workers and ringing up gross sales of about \$330,000 per year. Yet, in aggregate, the membership is a potent economic force, employing nearly 95,000 and earning more than \$8.5 billion (gross) annually.

NFIB / Kansas Membership by Number of Employees



NFIB / Kansas Membership by Annual Gross Receipts



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1/19/96

Kansas AFL-CIO

2131 S.W. 36th St.

Topeka, KS 66611

913/267-0100



President
Dale Moore

Executive Secretary
Treasurer
Jim DeHoff

Executive Vice
President
Wayne Maichel

Executive Board

*Richard Aldrich
James Banks
Mike Bellinger
Bill Brynds
Gary Buresh
Eugene Burrell
Ken Doud, Jr.
Richard Durow
David Han
Jim Hastings
John Hoover
Greg Jones
Frank Mueller
Dwayne Peaslee
Craig Rider
Wallace Scott
Debbie Snow
Betty Vines*

January 18, 1996

Representative Al Lane, Chairman
House Business, Commerce and Labor Committee
Rm. 115-S, State Capitol
Topeka, KS 66612

Dear Representative Lane:

The Kansas AFL-CIO would like to go on record as supporting H.B. 2650.

At a meeting of the Employment Security Advisory Council on January 11, 1996, the Advisory Council unanimously endorsed H.B. 2650. At that meeting representatives of the Department of Human Resources assured us the moratorium could be extended an additional year without jeopardizing the Employment Security Trust Fund.

We appreciate the committee's prompt action on this important matter.

Sincerely,

Jim DeHoff
Executive Secretary

Wayne Maichel
Executive Vice President

opcui #320, afl-cio

*House Business, Commerce
& Labor Committee
1/19/96
Attachment 7*

