Approved: 1/30/98 as corrected
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 22, 1998 in Room 526-S of the Capitol.

All members were present except: Rep. David Adkins - excused

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

Conferees appearing before the committee: Alan Alderson, Attorney
Tom Whitaker, Kansas Motor Carriers
Rep. Al Lane
Wayne Maichel, Kansas AFL/CIO
Terry Leatherman, KCCI
William H. Layes, KDHR

Others attending: See attached list

Alan Alderson, an attorney representing Western Retail Hardware and Implement Association, asked the committee to introduce a bill that concerns transfer of farm equipment, outdoor power equipment or lawn and garden equipment dealerships. (See Attachment 1) Rep. Mason made a motion to accept the bill and introduce it as a committee bill. It was seconded by Rep. Crow. The motion passed.

Tom Whitaker of the Kansas Motor Carriers Association requested that the committee introduce legislation that concerns workers compensation insurance and independent owner-operators. Also included in the bill would be language that concerns the regulation of motor carriers. (See Attachment 2) A motion was made by Rep. Mason to introduce the bill through the committee. It was seconded by Rep. Crow. The motion carried.

Rep. Pauls asked the committee to consider two bill requests. The first would require that contractors involved in state building construction have a state approved apprenticeship program. Rep. Gilmore made a motion for the committee to introduce the bill. It was seconded by Rep. Swenson. The motion passed.

The second bill would expand the payment of workers compensation death benefits to include heirs such as parents or siblings and raises the top payment to $50,000. A motion was made by Rep. Flaharty to introduce the bill. It was seconded by Rep. Storm. The motion carried.

Hearing on: HB 2645 - Continued moratorium on employment security law contributions.

Rep. Lane appeared before the committee in support of the bill and gave a short history of the concept of the moratorium. The bill would be for calendar year 1999 and includes a circuit breaker that would protect the fund. (See Attachment 3)

Wayne Maichel, Kansas AFL/CIO, and a member of the Employment Security Advisory Council stated that both the AFL/CIO and the council endorse the moratorium for another year.

Terry Leatherman, KCCI, appeared to express KCCI's support for the extension of the moratorium. His testimony also includes a special report written for their members that tells how successful the moratorium has been to date. (See Attachment 4)

William H. Layes, Chief of Labor Market Information Services, Kansas Department of Human Resources (KDHR), appeared before the committee to give the passage of **HB 2645** the recommendation of KDHR. It is their belief that the favorable current economy will continue through CY 1999 and the trust fund can safely permit extension of this tax measure. (See Attachment 5)

No others were present to testify for or against the bill and the hearing was closed.

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR, Room 526-S Statehouse, at 9:05 a.m. on January 22, 1998.

Action on: HB 2645 - Continued moratorium on employment security law contributions.

Rep. Mason made a motion to pass out the bill favorably and place it on the Consent Calendar. It was seconded by Rep. Beggs. The motion passed unanimously.

Chairman Lane adjourned the meeting at 9:42 a.m.

The next meeting is scheduled for January 23, 1998.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE: January 22, 1998

NAME	REPRESENTING
Linda Tierce	KDHR
Paul Bicknell	KDHR
Bill Layes	KDHR
Reggie Davis	KDHR
Bill Jarrell	BOEING
Elaine Frisbie	Div. of the Budget
Terry Leatherman	KCCI
Wayne Maichel	Ks. AFL-CIO
Kassandra Stephens	Intern for Rep. Lane

Alan Alderson

HOUSE BILL NO. _________

BY COMMITTEE ON BUSINESS, COMMERCE AND LABOR

AN ACT concerning transfer of farm equipment, outdoor power equipment or lawn and garden equipment dealerships.

Be it enacted by the Legislature of the State of Kansas:

Section 1. A "farm equipment manufacturer", as defined in K.S.A. 16-1202(b) and amendments thereto, shall have 90 days in which to consider and make a determination on a request by a "farm equipment dealer" as defined in K.S.A. 16-1202(c), and amendments thereto, to sell or transfer any portion of his or her business ownership to another party or to enter into an agreement to operate the dealership with another party. The farm equipment dealer's request shall include the reasonable financial information, personal background, character references and work histories as required by the manufacturer to render such a determination. In the event the manufacturer determines that the request is not acceptable, the manufacturer shall provide the farm equipment dealer with a written notice of its determination with the stated reasons for nonacceptance.

Section 2. A "supplier" of outdoor power equipment, as defined in K.S.A. 16-1302(f), and amendments thereto, shall have 90 days in which to consider and make a determination on a request by a "retailer' as defined in K.S.A. 16-1302(b), and amendments thereto, to sell or transfer any portion of his or

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& Labor Committee
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her business ownership to another party or to enter into an agreement to operate the dealership with another party. The retailer's request shall include the reasonable financial information, personal background, character references and work histories as required by the supplier to render such a determination. In the event the supplier determines that the request is not acceptable, the supplier shall provide the retailer with a written notice of its determination with the stated reasons for nonacceptance.

Section 3. A "supplier" of lawn and garden equipment, as defined in K.S.A. 16-1402(f), and amendments thereto, shall have 90 days in which to consider and make a determination on a request by a "retailer" as defined in K.S.A. 16-1402(b), and amendments thereto, to sell or transfer any portion of his or her business ownership to another party or to enter into an agreement to operate the dealership with another party. The retailer's request shall include the reasonable financial information, personal background, character references and work histories as required by the supplier to render such a determination. In the event the supplier determines that the request is not acceptable, the supplier shall provide the retailer with a written notice of its determination with the stated reasons for nonacceptance.

Section 4. This act shall take effect and be in force from and after its publication in the statute book.

KANSAS MOTOR CARRIERS ASSOCIATION
P.O. Box 1673 ■ Topeka, Kansas 66601-1673 ■ 2900 S. Topeka Blvd. ■ Topeka, Kansas 66611-2121
Telephone: 785.267.1641 ■ FAX: 785.266.6551 ■ e mail: kmca@kmca.org

"If you've got it, a truck driver brought it!"

Request of the House Committee on Business, Commerce & Labor For Introduction of Legislation

From The

Kansas Motor Carriers Association
Thursday, January 22, 1998

Rep. Al Lane, Committee Chairman

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Tom Whitaker, director of governmental relations & membership services of the Kansas Motor Carriers Association with offices in Topeka. I appear here this morning on behalf of our members and the highway transportation industry. The Kansas Motor Carriers Association is the statewide trade association that represents the Kansas trucking industry and those who supply goods and services to the industry.

We are here respectfully to ask this Committee to introduce legislation that removes current language governing workers compensation insurance requirements for independent owner-operators leased to licensed motor carriers from K.S.A. 44-503 and place the existing language in a new section of the statutes.

In addition, we are asking that language be added to this section to reflect current industry practices concerning billing back workers compensation premiums to independent owner-operator. These independent owner-operators are **not** employees.

Finally, we also are requesting a technical amendment to reflect language in Chapter 66 of the Kansas statutes concerning the regulation of motor carriers. This additional language is in response to congressional amendments to Section 211 of the Airport Improvement Bill of 1994. This change was overlooked when the 1996 Kansas Legislature adopted Senate Bill No. 326.

We thank you for the opportunity to present our proposal, and would be pleased to respond to questions you may have.

House Business, Commerce
+ Labor Committee
1/22/98
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STATE OF KANSAS

ALFRED J. LANE
REPRESENTATIVE, TWENTY-FIFTH DISTRICT
JOHNSON COUNTY
6529 SAGAMORE ROAD
MISSION HILLS, KANSAS 66208
(913) 362-7824

STATE CAPITOL
ROOM 115-S
TOPEKA, KANSAS 66612-1504
(913) 296-7641

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
CHAIRMAN: BUSINESS, COMMERCE & LABOR
MEMBER: ECONOMIC DEVELOPMENT
JOINT PENSIONS, INVESTMENTS & BENEFITS

HOUSE BILL 2645
HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE
JANUARY 22, 1998

THANK YOU, MR. VICE CHAIRMAN. LADIES AND GENTLEMEN OF THE COMMITTEE.

I APPEAR BEFORE YOU IN SUPPORT OF HB 2645, THE EXTENSION FOR THE 5TH YEAR OF THE MORATORIUM ON EMPLOYMENT SECURITY LAW CONTRIBUTIONS. I WILL LEAVE THE DETAILS OF THE MORATORIUM FOR THE OTHER CONFEREES.

PRIOR TO 1995, THERE WAS A CONCERN AMONG MANY THAT THE EMPLOYMENT SECURITY TRUST FUND FOR KANSAS, HELD IN WASHINGTON, D.C., HAD GROWN TO AN EXCESSIVE AMOUNT. FOR SEVERAL YEARS, WE ATTEMPTED TO TINKER WITH THE TAX RATE. THIS MADE NO SIGNIFICANT CHANGE IN THE BALANCE OF THE FUND.

IN 1995, REPRESENTATIVE GREG PACKER CAME UP WITH THE CONCEPT OF A MORATORIUM ON THE TAX FOR "POSITIVE PAY" EMPLOYERS. THE BILL ALSO CONTAINED PROVISIONS FOR LOWERING THE TAX RATE FOR NEGATIVE PAY EMPLOYERS, BRINGING NEW BUSINESSES IN AT A 1% RATE AND WHEN THE TWO YEAR MORATORIUM WAS OVER, TO BRING THE TAX RATES BACK IN AT APPROXIMATELY 50% OF THE PRE -1995 RATES. IT ALSO CONTAINED A "CIRCUIT BREAKER" OF 2%, I.E. IF THE TRUST FUND WOULD DROP BELOW 2% OF THE GROSS WAGES FOR THE STATE OF KANSAS AS DETERMINED ON JULY 31ST OF THE PRECEDING YEAR, THE MORATORIUM WOULD NOT BE IN EFFECT FOR THE NEXT CALENDAR YEAR.

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THE ONLY CHANGE IN THIS MORATORIUM BILL FOR CALENDAR YEAR 1999 IS FOR THE "CIRCUIT BREAKER" TO BE REDUCED TO 1.75%. THERE IS A CHANCE, DUE TO VARIOUS FACTORS, THAT USING THE 2% NUMBER COULD CAUSE THE MORATORIUM TO NOT BE IN EFFECT FOR CY 1999.

THANK YOU FOR YOUR TIME.

AL LANE

Al

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

835 SW Topeka Blvd. Topeka, KS 66612-1671 (785) 357-6321 FAX (785) 357-4732 e-mail: kcci@kspress.com

HB 2645

January 22, 1998

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:

My name is Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to express KCCI's support for the extension of the moratorium on the collection of taxes for the Kansas Employment Security Trust Fund through calendar year 1999.

> 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 47% of KCCI's members having less than 25 employees, and 77% 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.

I have included for your review a Special Report which KCCI produced on this subject and distributed to its members in November. This report attempts to capture how successful the moratorium has been to date. It further reviews the key question that is before the Committee today

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o[illegible] ther it would be appropriate to extend the unemployment compensation moratorium throug[illegible] calendar year 1999.

From KCCI's perspective, we wanted to be able to answer yes to two questions before endorsing a fifth year for the moratorium. First, KCCI reviewed if the Employment Security Trust Fund would be put at risk if the moratorium was extended one more time. Second, we reviewed the question of "sticker shock," a term we coined to describe the potential for high unemployment taxes when the moratorium ends and contributions become due.

To the first question, KCCI is confident the Trust Fund will have more than adequate revenues to pay unemployment benefits if the moratorium is extended. One test to demonstrate that belief is a look at the Kansas reserve ratio. This ratio is reached by determining how many months of current unemployment benefits could be paid from the existing Trust Fund balance. In fiscal year 1997, Kansas paid $143 million in unemployment benefits. Kansas began 1998 with a Trust Fund balance of $596 million. That would make the Kansas reserve ratio 50 months, meaning we could pay the unemployment obligations we experienced last year for 50 months without collecting another unemployment tax dollar.

It is important to note that the issue before you today calls for the moratorium extension to apply in 1999, not this year. Will the reserve ratio be as good next year as it is today? If history is a barometer, it should be. During the life of the moratorium, the Kansas reserve ratio has been amazingly steady. 1997 began with the reserve ratio at 52 months. In 1996 it was 56 months and in 1995 it was 52 months. In the report, there are other tests which support the notion that Kansas has adequate Trust Fund reserves to support a fifth year of the moratorium.

KCCI also believes a further moratorium extension will not produce "sticker shock" when taxes resume in 2000. Our measure for this test was $177 million, which is how much Kansas employers paid in unemployment taxes in 1994, the year before the moratorium. If the moratorium is not extended, and if all other factors remain constant, the unemployment tax yield for 1999 would be a[illegible]d $125 million. If the moratorium is extended through 1999 as proposed, and again all other factors remain consistent, the year 2000 unemployment tax collections should be around $153 million. That would mean a fifth moratorium year can be enjoyed and taxes should remain well below what they were back in the pre-moratorium days.

One final note. Here's a statistic from the National Foundation on Unemployment Compensation and Workers Compensation. In 1995, the latest year in their study, Kansas employers paid .16 of one percent of their total payrolls in unemployment compensation taxes. That is the lowest in the United States. The unemployment compensation moratorium, born in this Committee, has made Kansas the lowest unemployment compensation tax state in the country for 1995, and I am confident also for 1996, 1997 and 1998. KCCI would encourage this Committee to keep Kansas employers in this position again in 1999, by extending the moratorium for a fifth year.

Thank you for the opportunity to testify in support of HB 2645. I would be happy to answer any questions.

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SPECIAL
REPORT
Kansas Chamber of Commerce and Industry

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

November 1997

Unemployment Compensation Taxes

How Long Will it be Until the Tax Collector Calls Again...

mor-a-to'ri-um, *n.;*

1. *a legal authorization, usually by a law passed in an emergency, to delay payment of money due, as a bank or debtor nation.*
2. *the effective period of such an authorization.*

It was legislative action in 1995 that brought Kansas a moratorium on the payment of unemployment compensation taxes for most employers. However, the authorization was not born out of emergency, but opportunity. The moratorium, which has now been extended through 1998, has been an unqualified success on many fronts. It has directed hundreds of millions in tax dollars back into the pockets of taxpaying businesses. The moratorium has also become a hallmark of government responsiveness.

However, a moratorium, by definition, is temporary. Today's question is when should we push ourselves away from the table? This report reviews the impact of the unemployment tax moratorium and proposes the dialogue begin on when it should expire.

WHY DO WE HAVE AN UNEMPLOYMENT TAX MORATORIUM?

KCCI began touting the need to reduce unemployment compensation taxes years before the initial moratorium bill was passed. In 1992, legislation to drop unemployment tax rates by 10% was considered. In 1993, that legislation was approved. KCCI was the business leader of those early efforts.

There has been justification of a proposal to massively decrease unemployment taxes. Kansas employers pay their unemployment taxes into the Kansas Employment Security Trust Fund. Back when the moratorium was first proposed, the Trust Fund totaled over $720 million, nearly five times more money than was needed to pay a typical year of unemployment benefits.

There was a serious flaw in the initial moratorium bill. There was no change in unemployment tax rates. KCCI stressed that a tax rate decrease was vital. Since tax rates are tied to the Trust Fund balance, KCCI pointed out that tax rates would skyrocket when the moratorium ended in an effort to recoup the dollars not collected during the moratorium. In the end, the KCCI position prevailed when an approximate 50% decrease in tax rates was included in the moratorium bill.

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KANSAS EMPLOYERS HAVE SAVED A HALF BILLION DOLLARS IN UC TAXES

In the pre-moratorium days of the early 90's, the unemployment tax dollars Kansas employers annually paid ranged from $150 million to nearly $190 million. Under the moratorium, only "negative balance" (employers who had been charged more in benefits than taxes paid) and "new" businesses (employers who have not been in business long enough to have an experience rating) pay unemployment taxes. With the bold legislation of 1995, the tax savings have been dramatic.

The following table tracks how many tax dollars would have been collected if the Kansas Legislature had not implemented the moratorium in 1995, compared to the taxes actually collected during the moratorium. 1998 and 1999 totals are estimates.

YEAR	TAX COLLECTED IF THERE HAD BEEN NO LAW CHANGE	TAX COLLECTED UNDER CURRENT LAW, DUE TO MORATORIUM	TOTAL TAX DOLLARS SAVED BY KANSAS BUSINESS
1995	$149 million	$54 million	$95 million
1996	$148 million	$33 million	$115 million
1997	$157 million	$35 million	$122 million
1998	$160 million	$38 million	$122 million
1999	$166 million	$125 million	$41 million
95-99 total	$780 million	$285 million	Total Business Savings: $495 million

There are two important things to note about the 1999 estimate. First, it shows the value of the tax rate decrease in the original bill. Even after a four year tax moratorium, the new tax rates will call for $125 million in taxes, which will be significantly less than the $176.5 million Kansas employers paid in unemployment taxes in 1994, the year preceding the moratorium. A second point to note is the potential value of a fifth moratorium year, where employers would pay around $40 million, instead of the $125 million which is estimated to be paid if the moratorium ends in 1998.

IS THERE ENOUGH MONEY IN THE UNEMPLOYMENT POT?

After three years of an unemployment compensation tax moratorium, the Kansas Employment Security Trust Fund remains able to meet its responsibility to meet its obligation to pay benefits to unemployed Kansans.

Year end	Total Unemployment	Benefits Paid	Reserve Ratio	High Cost Multiple
1996	4.0%	$147.9 million	52.19 months	1.3
1995	4.4%	$149.6 million	55.51 months	1.4
1994	5.3%	$165.7 million	51.74 months	1.6
1993	5.0%	$175.9 million	43.38 months	1.5

In the table, reserve ratio compares the Trust Fund balance to the benefits paid the previous year, to measure how many months of benefit reserves exist. High cost multiple compares the Trust Fund balance to the benefits paid during the highest period of unemployment during the previous 15 years, adjusted by inflation.

The 1996 high cost multiple of 1.3 means "worst case scenario" unemployment could be paid from the Trust Fund for 1.3 years. Even though Kansas had concluded a second moratorium year in 1996, only a handful of states could boast a high cost multiple better than 1.3. It is also interesting to note that lower unemployment had caused the reserve ratio to be better during the moratorium, than in the pre-moratorium days.

The facts dismiss the notion of an abandonment of employer responsibility to maintain an adequate Trust Fund. With the moratorium in full swing, the reserves continue to exist to meet the state's unemployment benefit needs. There is also a fascinating rhetorical question to ponder. Has the success of the moratorium been achieved because of the drop in unemployment, or has the drop in unemployment been achieved because of the moratorium? Since unemployment is very low across the country, it would be a stretch to credit the tax moratorium with today's robust employment picture. However, it's reasonable to suggest that circulating hundreds of millions of dollars in the private sector, rather than paying it in taxes, has contributed to the lowest unemployment period in Kansas in 20 years.

1999...SHOULD THE MORATORIUM CONTINUE?

Should Kansas employers enjoy a fifth year of the unemployment tax moratorium? An answer depends on your tax tolerance when the moratorium ends.

From the Trust Fund solvency perspective, there is ample justification for a fifth moratorium year. When the original moratorium was being debated, the pundits (including KCCI) estimated 1997 would begin with a Trust Fund balance of around $500 million. Instead, the Trust Fund was at $640 million when this year began. A view of reserve ratio and high cost multiple continue to build confidence that a fifth year is possible without challenging the Trust Fund's integrity.

On the other hand, there is the tax level perspective to a fifth moratorium year, perhaps better called the "sticker shock" concept. Taxes are derived for unemployment by comparing the Trust Fund balance to total payrolls of Kansas employers. If the moratorium is not extended, it is time to pay unemployment taxes again in 1998, and certain assumptions hold true (benefits paid and trust fund interest are the same as 1996 and payrolls increase at the same rate), then 1999 taxes should be $124.6 million.

Trust Fund Balance (as of 7/97)	$619.0 million
Taxes Paid from 7/97 thru 7/98	$ 38.0 million
Interest Earnings from Trust Fund (1996)	$ 50.2 million
subtotal	$707.2 million
Benefits Paid (1996)	$147.9 million
Likely 7/98 Fund Balance	$559.3 million
Total Kansas Payroll (fy 96 plus .0622%)	$ 23.5 billion
Ratio of Fund Balance to Total Payroll	2.38%
Planned Yield (from Kansas law)	0.53%
Total Taxes Needed (Yield times payroll)	$124.6 million

If the moratorium is extended through 1999, Kansas employers will save an additional $80 million in taxes. However, the Trust Fund will continue to be reduced while payrolls will grow. As a result, when taxes are calculated for the year 2000, the scenario could look like this:

Trust Fund Balance (as of 7/98)	$559.3 million
Taxes Paid from 7/98 thru 7/99	$ 38.0 million
Interest Earnings from Trust Fund	$ 50.2 million
subtotal	$647.5 million
Benefits Paid	$147.9 million
Likely 7/99 Fund Balance	$499.6 million
Total Kansas Payroll (fy 97 plus .0622%)	$ 25.0 billion
Ratio of Fund Balance to Total Payroll	2.00%
Planned Yield	0.61%
Total Taxes Needed (Yield times payroll)	$152.5 million

CONCLUSION

The unemployment compensation tax moratorium has been very successful. It is a cornerstone of legislative tax reform efforts. KCCI is also very proud to have played a major role in this success story, from the beginning.

KCCI has also been closely watching the moratorium because of the role the business community assumes towards unemployment compensation. Business is responsible for assuring that benefits will be there for workers who become unemployed through no fault of their own. We should not lose focus on the viability of the system.

When should the unemployment compensation tax moratorium end? The Governor, legislative leaders and KCCI are all looking for that answer. Since the tax burden ultimately rests on your shoulders, please let us know what you think.

HOUSE BUSINESS, COMMERCE, AND LABOR COMMITTEE
STATUS OF EMPLOYMENT SECURITY TRUST FUND
JANUARY 22, 1998

Good morning Mr. Chairman and members of the committee, my name is William H. Layes. I am Chief of Labor Market Information Services, Kansas Department of Human Resources. I appear before you this morning to speak regarding HB2645 which would extend the Kansas Unemployment Insurance Moratorium through CY1999.

Unemployment Insurance Trust Fund - History and Projections

The trust fund balance at the beginning of the moratorium on January 1, 1995 was $723.8M. The estimated trust fund balance at the end of CY1998 is expected to be $519.1M. The estimated end of CY1999 trust fund balance is expected to be $428.4M. Fund balance as of July 31, 1998 is expected to reach $559.6M.

Moratorium Trigger

The current Kansas Employment Security Law contains a trigger mechanism which would prevent continuation of the moratorium should the fund balance become dangerously low. In past years, the law provided that if the trust fund is less than 2% of total wages on July 31, the moratorium will no longer be in effect. HB2645 would continue the provision and lower the ratio to 1.75% for June 30, 1998. The Department recommended that this would be necessary to ensure that the moratorium would be effective in rate year 1999. The "1.75 level" is estimated to be $438.4M. Our estimates of the trust fund balance indicate that the fund level will not drop this low at this time.

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Taxes Following the Moratorium

Should HB2645 be adopted, the moratorium will be extended through CY1999. Under this venue, employers will then become liable for taxes in CY2000. However, legislation was enacted by the 1995 session of the Kansas Legislature which provides for a "phase-in" of that tax. This legislation reduced the total amount to be collected from employers by about 50%. Therefore, beginning in CY2000, employers will pay about one-half what otherwise would have been collected under pre-moratorium law (1994). This was accomplished by amending Schedule III in the law which determines total income to the fund.

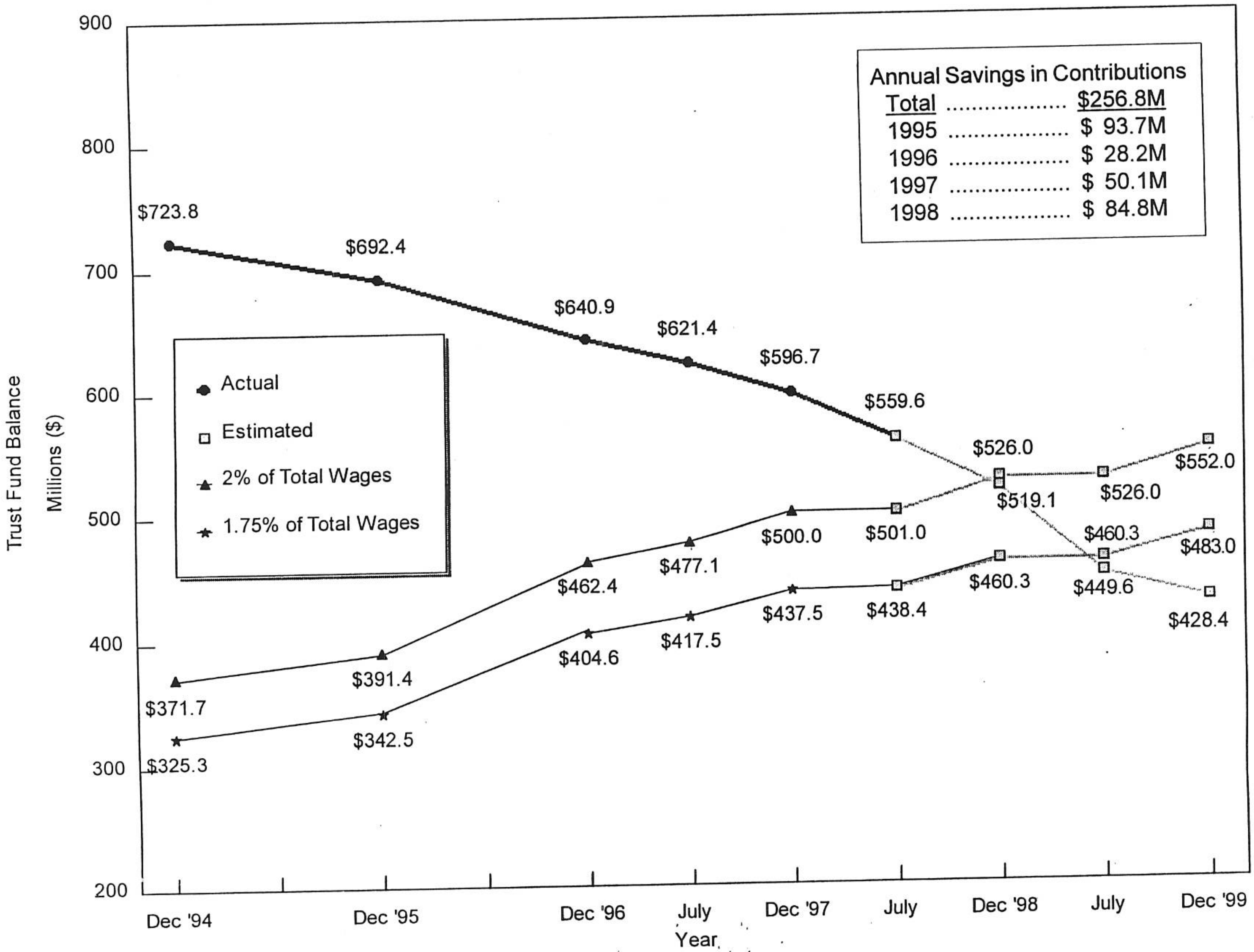
Recommendation

It is the recommendation of the Kansas Department of Human Resources that the moratorium be extended through CY1999. Enactment of HB2645 will permit continuation of the moratorium. It is our belief that the favorable current economy will continue through CY1999 and the trust fund can safely permit extension of this tax measure.

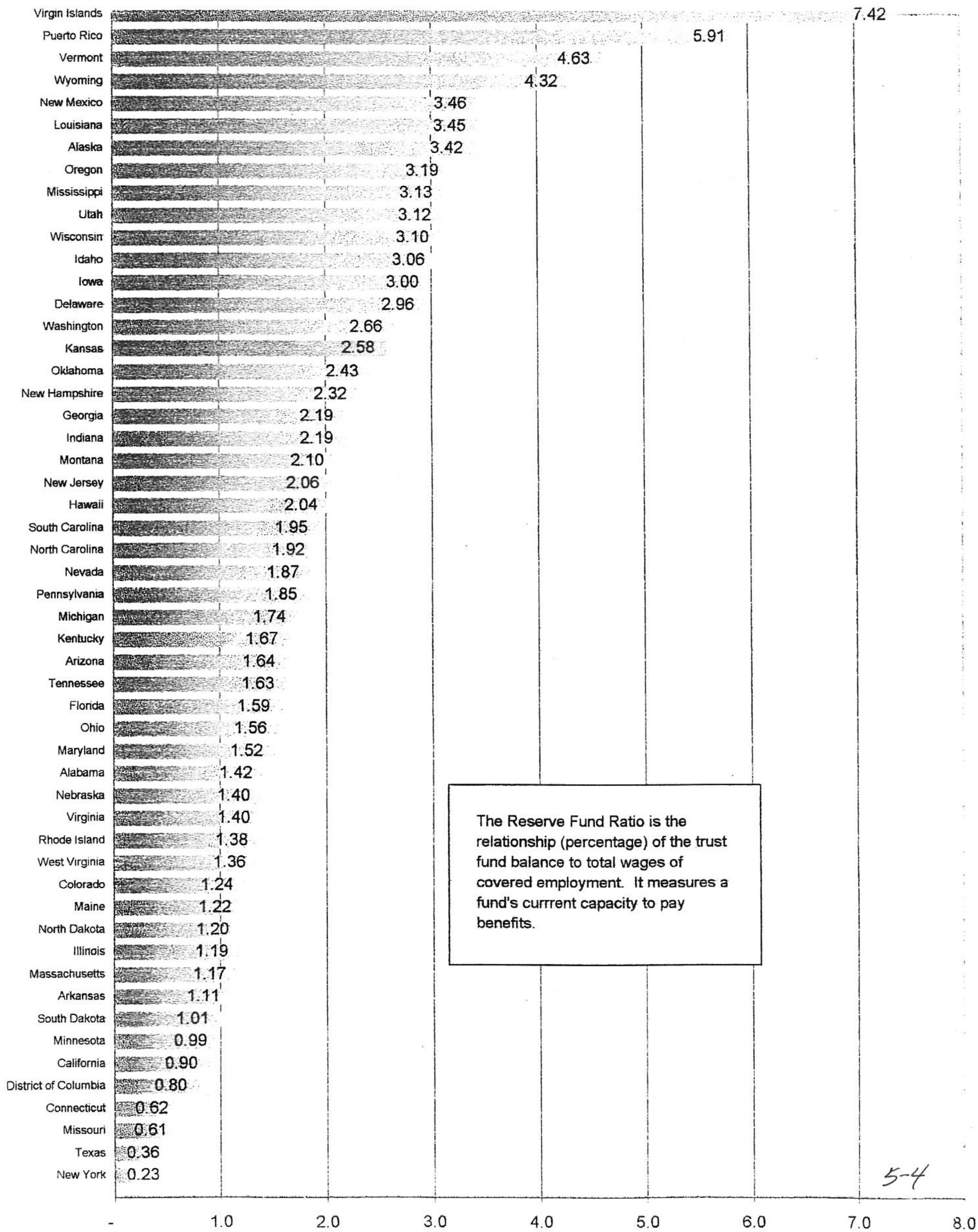
Mr. Chairman, this concludes my testimony. I would be happy to answer questions.

5-3

Trust Fund Balance, 1994-1997 and Est. 1998-1999
With Reserve Fund Ratio at 1.75% and 2.00% "Safety Levels"



State Comparison of Reserve Fund Ratios
End of CY 1996



State Comparison of the High Cost Multiple
End of CY 1996