

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Senator Karin Brownlee at 8:30 a.m. on February 19, 2001 in Room 123-S of the Capitol.

All members were present except: Senator Brungardt (Excused)
Senator Jordan (Excused)
Senator Wagle (Excused)

Committee staff present: April Holman, Legislative Research Department
Bob Nugent, Revisor of Statutes
Lea Gerard, Secretary

Conferees appearing before the committee: Richard Beyer, Secretary HR
Roger Aeschliman, Deputy Secretary of HR
Wayne A. White, Kansas Legal Services
Wayne Maichel, AFL-CIO
Paul Johnson, Public Assistant Coalition of Kansas

Others attending: See attached list.

SB 307 - Act concerning the employment security law; relating to job training funds.

Richard Beyer, Secretary, Department of Human Resources testified in support of **SB 307** stating that the purpose of the bill is to develop a TARGET initiative fund to improve the Kansas workforce development system through training, assessment, recruitment of labor, to provide a gateway to services, improve employment centers and offer transition support for employers and employees. The bill would establish a fund that would allow control of contribution dollars to be maintained within the State of Kansas (Attachment 1).

Roger Aeschliman, Deputy Secretary, Human Resources testified in support of **SB 307** (Attachment 2). He stated Kansans pay two taxes regarding unemployment insurance. The distinction between the two is 1) .8 percent on the first \$7,000 wages for each employee or a maximum of \$56.00 per employee paid to the IRS; and 2) is an experience rating tax of up to 5.4 per cent (for most employers) on the first \$8,000 or a maximum of \$432.00 per employee paid to the KDHR. This is the Federal Unemployment Tax (FUTA) to pay unemployment insurance. The money that goes into FUTA, one hundred per cent of that money is designed to go to the states and to the federal government to fund the labor exchange processes and fund the operations of unemployment insurance. Under the TARGET plan, Kansas will retain some of their tax dollars to be used by employers to put people back to work.

Wayne White, Kansas Legal Services, testified in support of **SB 307** (Attachment 3). The Kansas Legal Services is a private non-profit state-wide organization that helps people get the skills they need to have sustainable employment. There is a serious gap in the context of welfare reform in the State of Kansas and our ability to provide employment preparation services to welfare recipients and dislocated workers. Welfare recipients are being asked to leave the state welfare roles and move into employment. There are limited funds to provide start-up costs for non-profit and for profit organizations that were creating job training programs. Under the Workforce Investment Act, there is no flexibility and the Kansas Department of Social and Rehabilitation also has no funding to assist in the development and implementation of new programs. The TARGET bill would get the resources available to address this serious gap.

Wayne Michael, AFL-CIO testified in support of **SB 307** (Attachment 4).

Paul Johnson, Public Assistant Coalition of Kansas, testified in support of **SB 307** (Attachment 5). Mr. Johnson stated the State of Kansas needs to offer better job training for the people who are making the transition off welfare. Kansas would join 29 other states who have a state trust fund that would be maintained by the state. This is a vital step to find more resources to help people with their training needs.

Terry Leatherman, KCCI, testified in opposition to **SB 307** stating there are four principle concerns with the bill (Attachment 6). 1) It is contrary to fundamental purpose of unemployment compensation; 2) the bill will cause several million dollar increase; 3) there is uncertainty of the bill as far as delivering workforce development goals; and 4) there is potential for economic down turn that we are facing in the near future.

Meeting adjourned.

Next meeting scheduled February 20 at 8:30 a.m.

**TESTIMONY TO SENATE COMMERCE COMMITTEE
SB 307 TARGET INITIATIVE**

Monday, February 19, 2001

**By Rick Beyer, Secretary
Kansas Department of Human Resources**

Madam Chair, Esteemed Committee Members:

Thank you for this opportunity to talk with you about an emerging crisis in the Kansas workforce development system and an innovative proposal to fuel commerce in our state through the next decade.

Our labor exchange system has served us well over many years. The average unemployment rate for the year 2000 was only 3.4%. We are enjoying one of the lowest unemployment rates in 20 years. Unfortunately, the labor exchange system that has served Kansas well in the past will not adequately meet the needs of our 21st Century environment.

The structure of our old labor exchange system is increasingly complex and difficult for job seekers and business customers to use. It is made up of a loose confederation of partners and a bewildering array of federally funded programs that lack continuity and market focus. Coincident with the Workforce Investment Act of 1998, the Kansas Department of Human Resources and a multitude of partner agencies began transforming this fragmented array of services into a one-stop no-wrong-door system of services that is characteristically more seamless and customer-centric. These efforts are making life better and easier for job seekers and business customers alike. Our one-stop career services strategy is an effective business model for the 21st Century environment. This new labor exchange model will more effectively match the supply and demand for talent in Kansas, an outcome of enormous importance to our state.

We estimate that there are at least 100,000 unfilled jobs in Kansas (please see attached Graphs 1 & 2). Many employers have told me that, given an ample job-ready supply of talent, they would book even more business and hire more employees, in some instances twice as many. Employers are simply unable to locate a sufficient supply of people to meet their demand. Anecdotally, I have been told that there are nearly 3,000 aviation job openings in Wichita alone.

*In contrast to the 100,000 unfilled jobs in Kansas, there are only about 50,000 people officially unemployed in Kansas. There may be another 20,000 who are not officially unemployed because they have simply given up looking for work. The opportunity cost of this gap between the supply of job-ready talent and the demand for it is immense.

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Attachment 1-1

In Kansas, the average worker earns \$30,000 a year. With 100,000 unfilled openings, individuals and families are forgoing \$3 billion of taxable personal income each year. The average worker produces \$50,000 of net income for his or her employer. With 100,000 unfilled openings, businesses in this state are forgoing \$5 billion of taxable net income each year. Our state forgoes \$500 million of tax revenue each year because of the 100,000 unfilled jobs. This analysis does not take into account local government tax revenues and the ripple effect of all this earned income surging through our Kansas economy.

The bottom line is that investing in an effective labor exchange system is very profitable for everyone involved. Kansas must build an effective workforce development system that expedites employment and fuels commerce. Our system must not only prepare people for available jobs, it must attract large numbers of talented people to Kansas and retain more of those who grow up here. We must have a system that encourages older workers to remain actively engaged in the workforce longer and entices people who are not working to join the workforce again.

However, the current labor exchange system is cash poor. Antiquated federal funding formulas and scarce financial resources are preventing Kansas from creating a fully functioning labor exchange system—one that cultivates the job-ready supply of labor needed to fuel Kansas commerce. Federal funding for the workforce development system in Kansas has been in relative decline for 20 years and there is every indication that this trend will continue.

Kansas receives only 43 cents back on every dollar of taxes paid by employers to Washington, D.C. This federal tax was created to fund workforce development programs and Kansas cannot build a “new economy” labor exchange system with only 43 cents out of every dollar intended for this purpose.

The Workforce Investment Act of 1998 has enabled us to make progress in eliminating program silos and it has greatly facilitated cooperation among the many workforce partners in Kansas. However, more must be done. We are aggressively moving from the old way of operating independently toward co-location and collaborative efforts, but this transition from the old to the new more effective system is inadequately funded.

We have a plan – **TARGET** – that will keep more of our state’s employer FUTA tax dollars at home where the interest income it will generate can expedite employment for employers and reduce the need for assistance payments to job seekers. Our plan will enable the business community and other local workforce development stakeholders to **TARGET** their workforce development investments and reap a high rate of return.

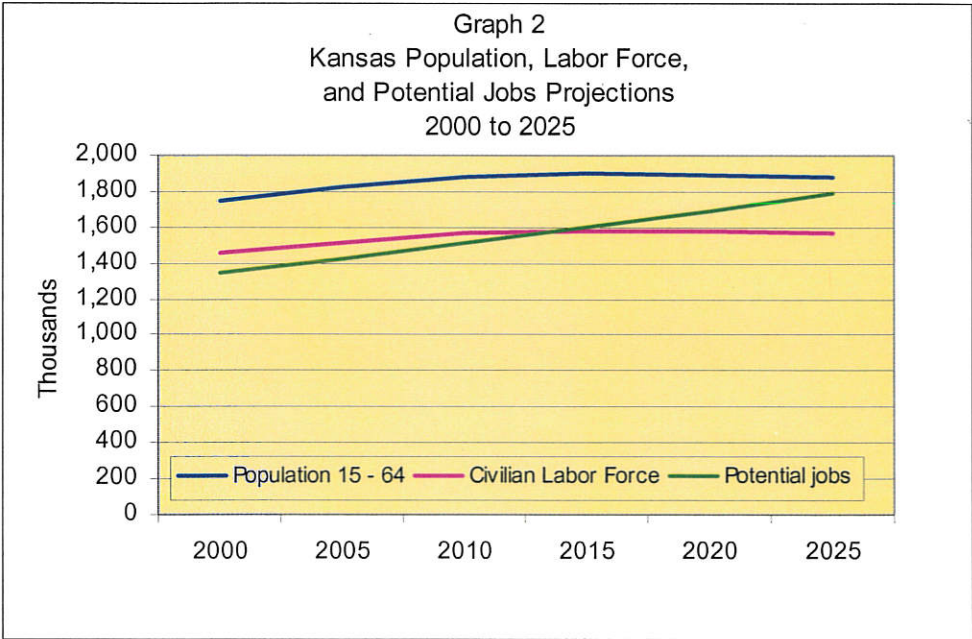
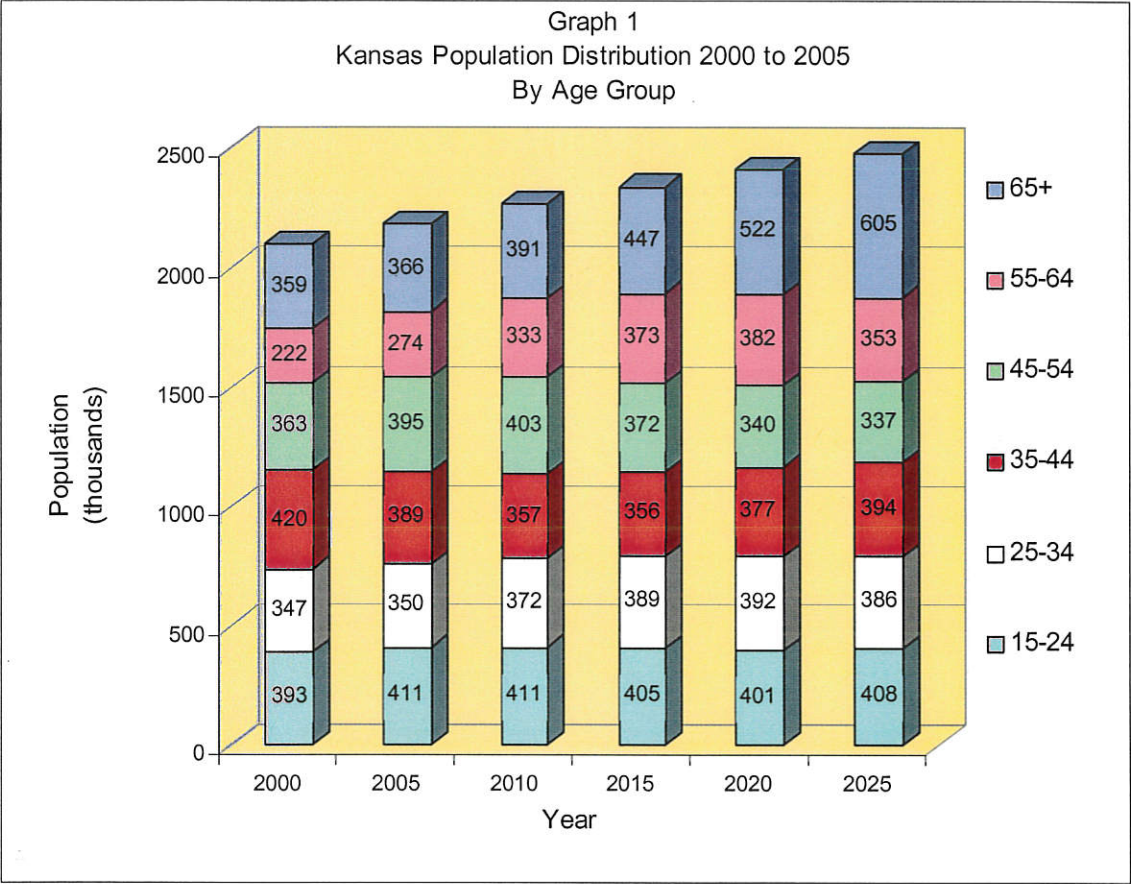
CONTACTS:

Secretary Rick Beyer (785) 296-7474

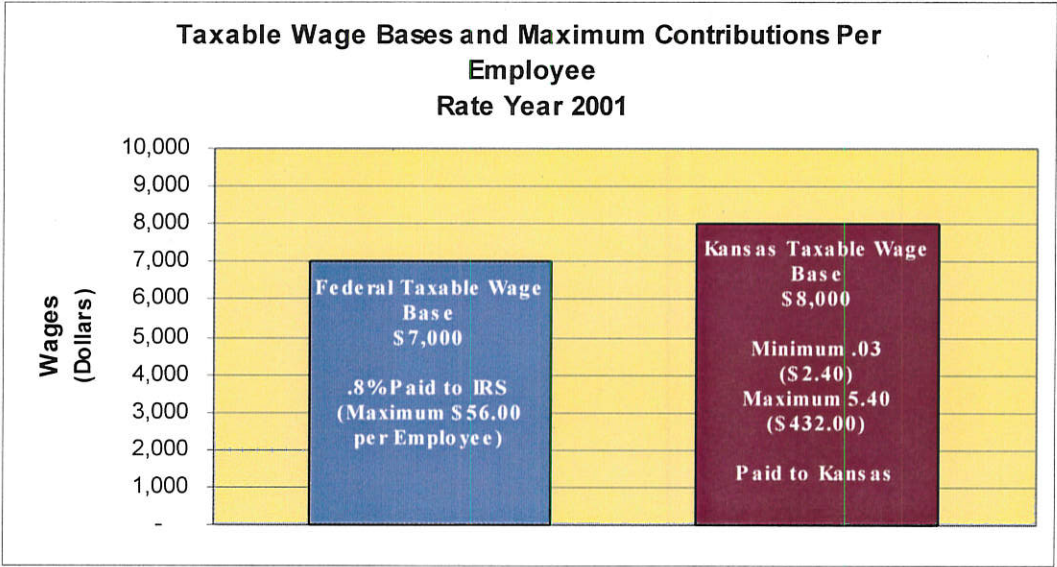
Deputy Secretary Roger Aeschliman (785) 296-0821

Director of Employment Security William Sanders (785) 296-5075

Chief of Labor Market Information Services Bill Layes (785) 296-5058



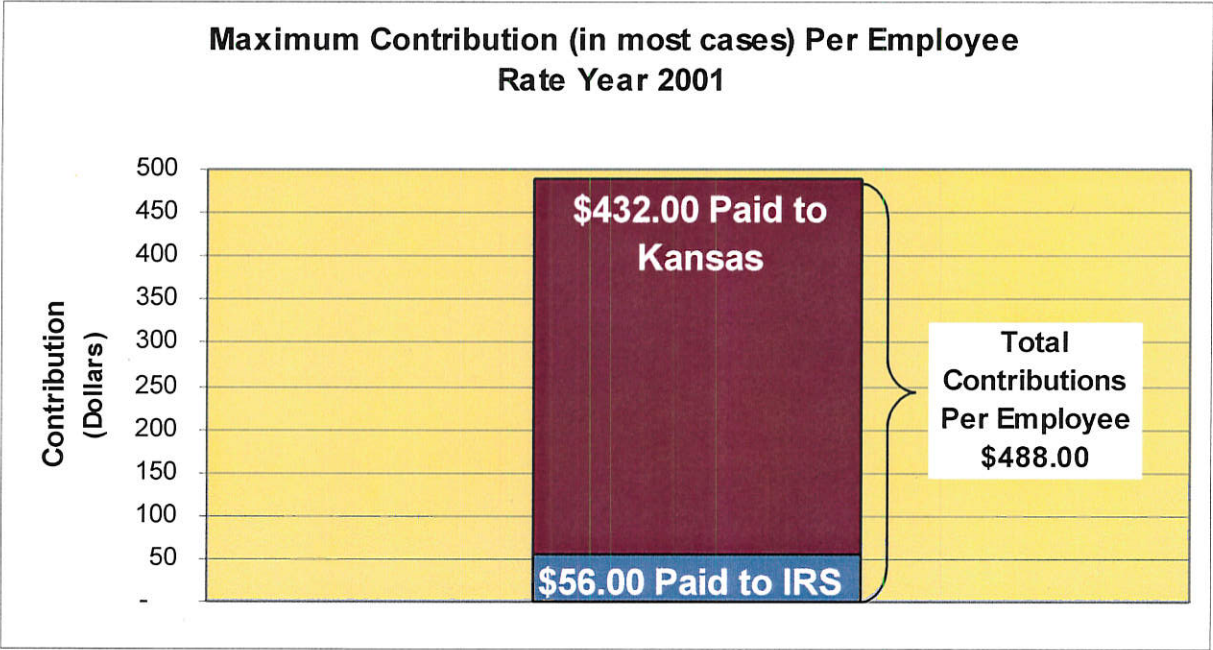
The Kansas Unemployment Tax



Senate Commerce Committee
Feb. 19, 2001
Attachment 2-1

Two unemployment taxes are paid by Kansas employers:

- .8 per cent on the first \$7,000 wages for each employee or a maximum of \$56.00 per employee paid to IRS.
- Experience rating tax of up to 5.4 per cent (for most employers) on the first \$8,000 or a maximum of \$432.00 per employee paid to KDHR.

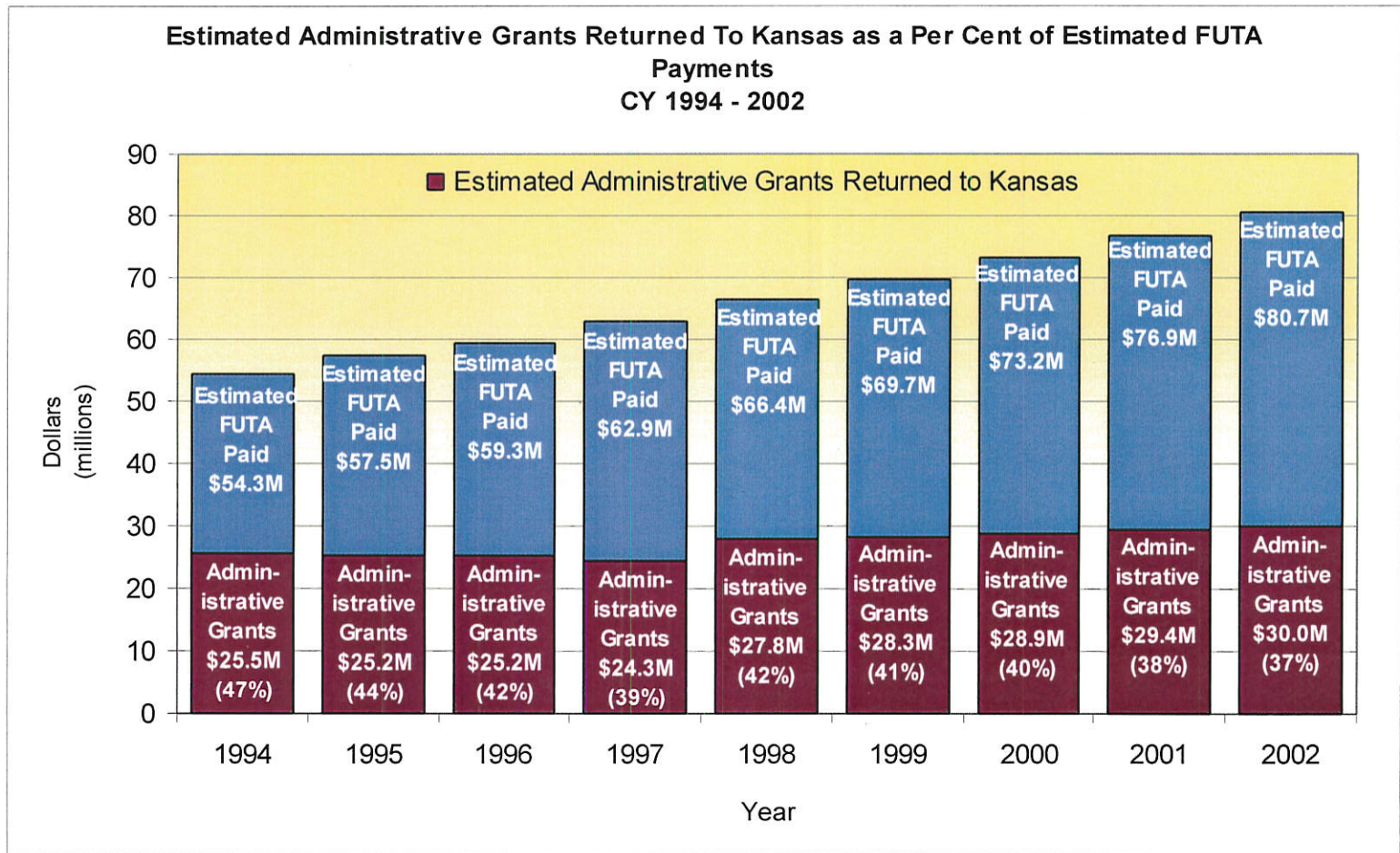


- During CY 2001 the total tax paid (in most instances) for each employee is \$488.00.

4-2

Background

- FUTA is used for the administration of labor exchange services and general administration activities.



- Return of 43 cents in Federal grants (1994 - 1998) for each dollar paid to FUTA.
- The remaining 57 cents of each dollar never returns to Kansas. This limits the labor exchange services provided to Kansas employers and workers.

The Proposal for Tax Retention

- Plan would retain some tax in Kansas and for use by Kansas employers.
- Currently approximately \$168.1 million is paid annually to the Kansas fund.
- Establishment of a TARGET Initiative allows added control of the contribution dollars within the state of Kansas.
- Twenty-seven states have such a program:

Alabama	Idaho	Nevada	Rhode Island
California	Iowa	New Hampshire	South Carolina
Colorado	Kentucky	New Jersey	South Dakota
Connecticut	Massachusetts	New York	Tennessee
Delaware	Minnesota	North Carolina	Texas
Georgia	Montana	Oregon	Washington
Hawaii	Nebraska	Puerto Rico	

- Example:

CY 2001 Split ^{1/} of \$168.1 million

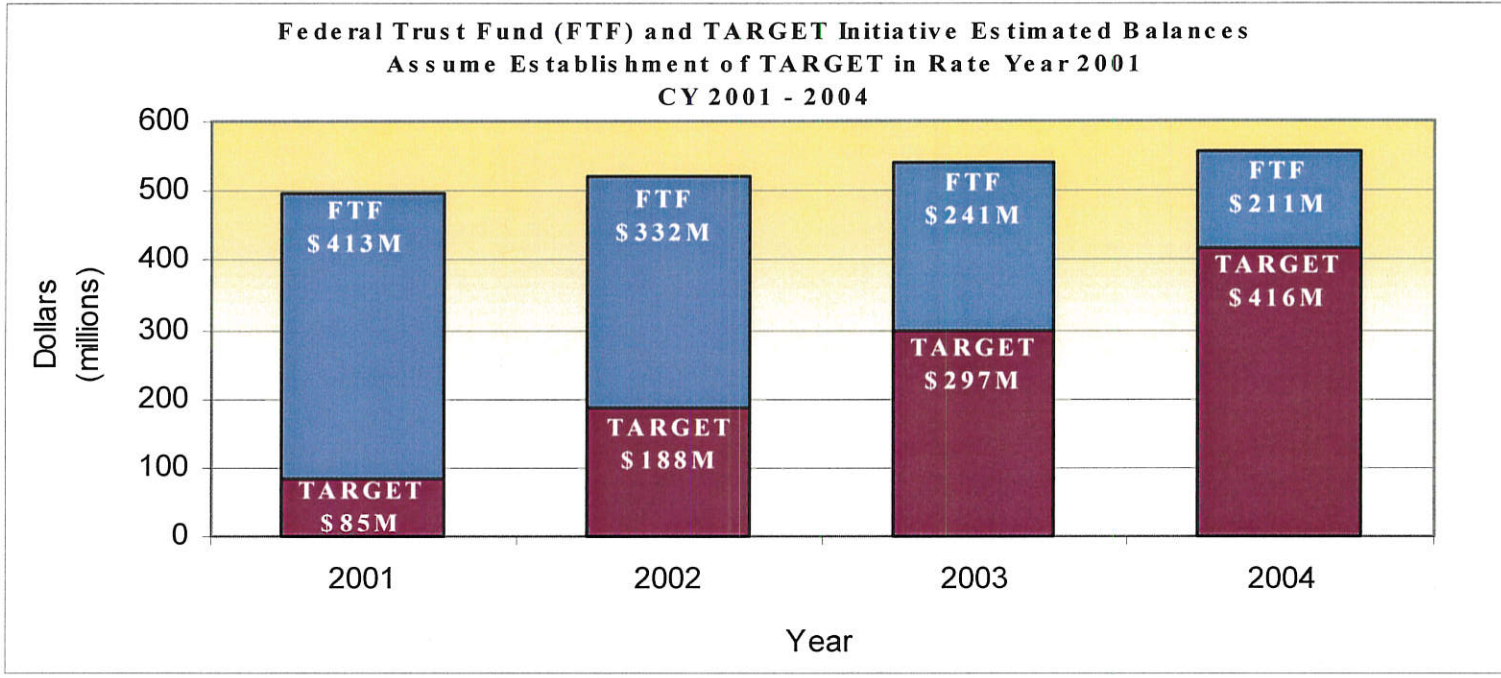
\$ 85.3 million to TARGET

\$ 82.8 million to existing federal fund (current)

^{1/} Positive Eligible accounts will be split 70/30.

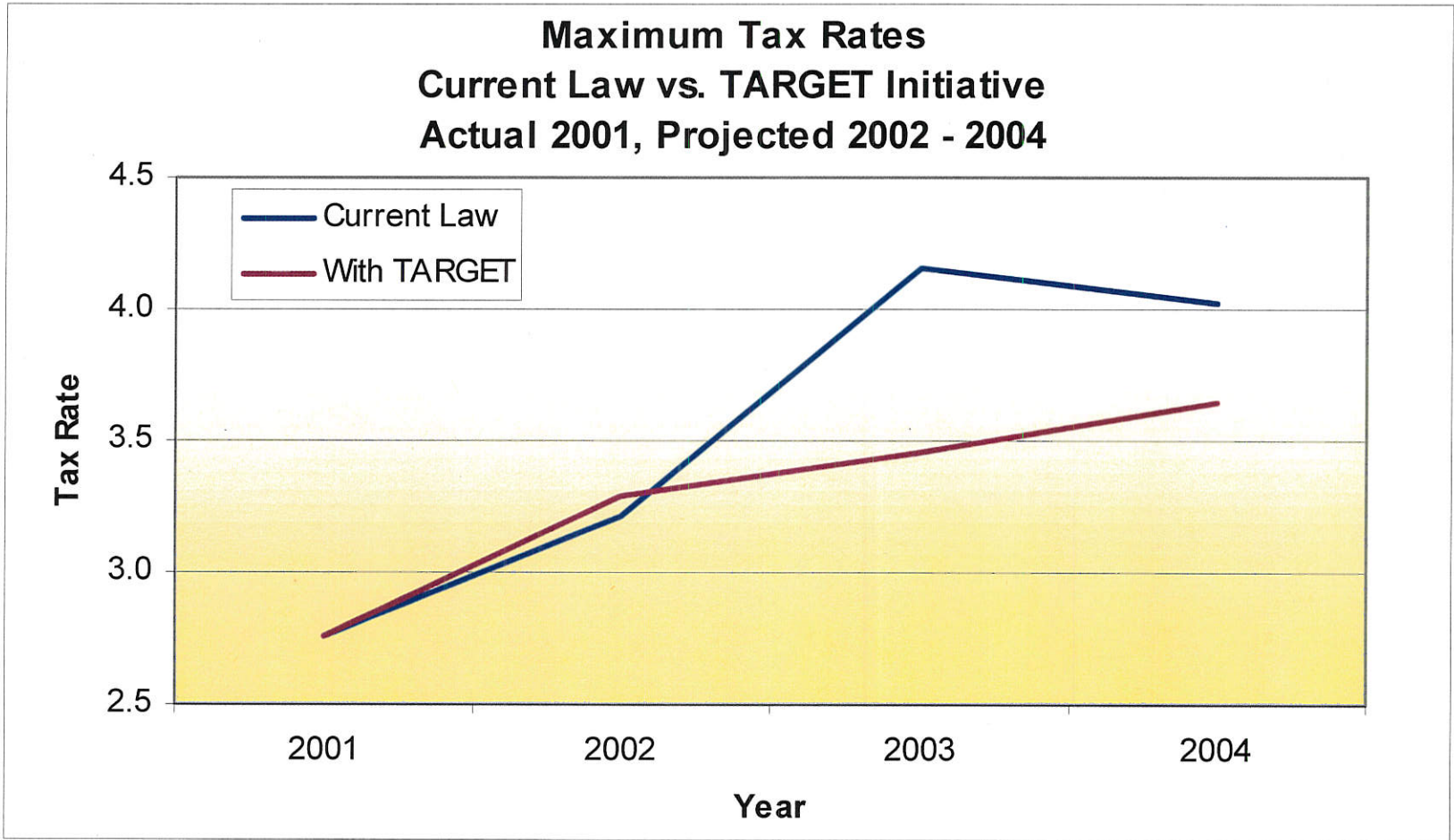
- The \$85.3 million is available ONLY for payment of benefits but Kansas earns and retains control of interest.
- The interest earned would then be used to supplement existing grants and services to labor exchange activities.

2-8



- The TARGET fund would be funded after four years and all future employer contributions would then return to the Federal Trust Fund.

5-2



The TARGET Initiative

Training

Assessment

Recruitment

Gateway

Employment Centers

Transition

LEGISLATION CRITICAL FEATURES

Divert about 50% of the unemployment insurance benefits tax from the federal government into the TARGET trust fund in the Kansas treasury.

A four-year diversion would create a TARGET fund of about \$400 million.

Interest of about \$20-\$30 million a year would be available for TARGET investments.

Five-year sunset. If sunset, state trust funds return to the federal trust fund.

TARGET initiatives advised by business, labor and civic leader panel and then subject to formal appropriations processes.

TARGET funds not available for general state government.

Kansas joins 27 other states already using a state trust fund.

TARGET provides essential funding for transition from JTPA to WIA and from federal control to local control of workforce development.

Summary

01-49

2-12

- Twenty-seven states currently have a state trust fund program established.
- All funds would be made available ONLY for the payment of benefits.
- Federal counterparts have given tentative approval for this proposal.

**TESTIMONY OF WAYNE A. WHITE
KANSAS LEGAL SERVICES, INC.
(785) 233-2068
February 19, 2001**

**Hearing Before the
SENATE COMMERCE COMMITTEE
Chairman: Senator Karin Brownlee
Statehouse
Room 123-South**

I appreciate the opportunity to testify in favor of Senate Bill 307.

The Target Fund that would be created by Senate Bill 307 will address a fundamental need in the state of Kansas. The Kansas Department of Human Resources and the workforce development system of Kansas have basic needs that are currently not met by any existing funding source.

Senate Bill 307 would create a Target Fund to be used, among other things, to "provide training opportunities to those lacking basic skills to make them employable" and to "assist those whose skills may no longer be in demand to improve upon those skills and to learn new skills so that they may rejoin the ranks of the employed and fill vacant positions in business and industry." This fund could also be used to "provide physical facilities and equipment necessary to sufficiently and effectively extend these services to all our citizens in every corner of our state."

Kansas Legal Services is a private, nonprofit statewide organization. Our mission is to assist people to meet their basic needs through a variety of legal, alternative dispute resolution and employment preparation services. Kansas Legal Services currently operates four employment preparation programs: Work Opportunities for Rural Kansans (W.O.R.K.s), the Office Training and Assessment Program (O.T.A.P), Custom Computer Training Program, and the Job Success Program.

Before the Workforce Investment Act (WIA) replaced the Job Training Partnership Act (JTPA), the Kansas Department of Human Resources had some limited funds available to assist training providers with start up costs for new employment training programs. Under the Workforce Investment Act, the Department has no such funds available. The Kansas Department of Social and Rehabilitation Services also currently has no funding available to assist organizations to create needed job training programs. In the context of welfare reform, we are asking low income people to leave public assistance and become employed self-sustaining members in the Kansas economy. We currently have inadequate funding available to create and operate programs to assist people to make the transition from public assistance to work.

Under the Workforce Investment Act Kansas communities are coming together to create one-stop workforce centers throughout the state. In the western part of the state, the Kansas Department of Human Resources had funding to assist Salina and Hutchinson to create one-stop workforce centers. There is little, if any, funding available to create such centers in communities like Hays, Great Bend, Dodge City and Garden City. The passage of Senate Bill 307 and the creation of the Target Fund would address the need for funding for development of private training programs to meet the needs of Kansas residents. The Target Fund would also make it possible to continue the development of the much needed one-stop workforce centers throughout the state of Kansas.

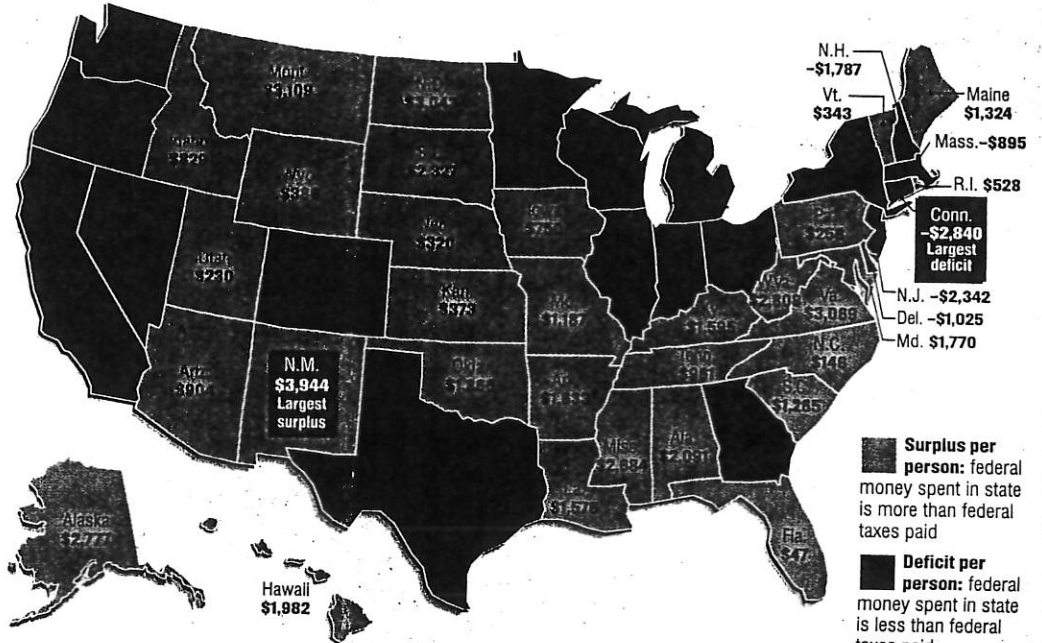
Thank you for the opportunity to testify. I would be happy to stand for any questions you may have.

Senate Commerce Committee
Feb. 19, 2001
Attachment 3-1

Uncle Sam takes his taxes, but what does he give back?

The federal government spends \$1.5 trillion on the states, but not every state gets its "fair share." Take the amount of federal spending per capita in a state and subtract federal taxes paid per capita. The result is a surplus or deficit. Much of the fed money goes to Medicare and Medicaid. Defense spending in the states is dropping but still significant.

Source: Taubman Center for State & Local Government, Harvard University



College? It's a bargain!

OK, maybe it's not really a bargain. But in a survey of 850 adults, the guesstimate of average yearly costs is far higher than the real-life averages.

Type of university	Estimated annual cost	Actual annual cost
Public two-year college	\$10,904	\$6,000
Public four-year college	16,708	10,900
Private four-year college	29,537	23,650

Source: American Council on Education

High times for higher ed

A textile magnate who toted money around in a leopard-skin bag has died and left 45 percent of his \$400 million estate to South Carolina's Furman University, which he attended for a spell. Other huge college gifts:

College	Year	Donation
1. Massachusetts Institute of Technology	2000	\$350 million *
2. Vanderbilt University	1998	300 mil. *
3. Emory University	1996	295 mil.
4. New York University	1994	250-500 mil. **
5. University of California-San Francisco	1998	240 mil. *
6. Franklin W. Olin College of Engineering	1997	200 mil. *
7. Stanford University	1999	150 mil.

*Donation hasn't been fully paid **Value of donated estate is not known
Source: The Chronicle of Higher Education Almanac

Crime does pay—and how

Sure, you can make a good dishonest living by pirating videos and software. But when it comes to crime, narcotics is still the richest niche.

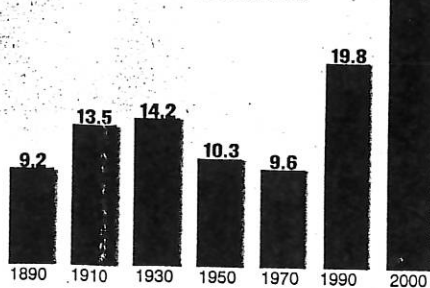
Source: National Intelligence Council

Annual revenues from illicit criminal activities	Amount
Narcotics trafficking	\$100-300 billion
Toxic and hazardous-waste dumping	10-12 bil.
Automobile theft in the U.S. and Europe	9 bil.
Alien smuggling	7 bil.
Theft of intellectual property	1 bil.

The melting pot runneth over

The size of the U.S. foreign-born population is at an all-time high. But its proportion was higher in the days of European immigration waves.

Foreign-born population in millions (Percent of total U.S. population)



Source: U.S. Census Bureau

Cuckoo over the flu



One in four Americans washes hands to avoid respiratory ailments. One in 10 shuns crowds. But if a germ has your name on it, there's no escaping the sickbed. And then what? Read on.

When you have a stuffy nose, a sore throat, or other respiratory ills, how do you cope:

Prefer to be left alone	73%
Like to be pampered or cared for	25%
Emotional toll of down time:	
Frustrated	55%
Bored	16%
Guilty	13%
Happy	6%
Activities while home sick:	
Sleep	51%
Watch TV	20%
Read	13%
Work	6%
Surf the Web	3%
Pay bills	1%

Source: Bayer Corp. survey of 2,022 adults



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Jerry Helmick
Fred Kaminska
Lloyd Lavin
Wil Leiker
Adrain Loomis
Pam Pearson
Emil Ramirez
Bruce Reves
Debbie Snow
Betty Vines*

TESTIMONY ON S.B. 307

Presented to the Senate Commerce Committee
by
Wayne Maichel
Representing the Kansas AFL-CIO

February 19, 2001

Madam Chair and members of the committee, we appreciate the opportunity to appear before your committee and present testimony in favor of S.B. 307.

S.B. 307 would create an Employment Security Target Initiative Fund. Fifty percent of the Employment Security taxes, paid by Kansas employers, would now stay in Kansas. The interest accrued from this fund would be used to support many programs that are important to economic development of our state.

The # one item that employers consider when they are going to relocate or expand is the availability of a skilled and trained workforce. Interest off of this fund could be used for such a purpose.

We believe it is a win, win situation, and we encourage the committee to recommend S.B. 307 for passage.



Senate Commerce Committee

Feb. 19, 2001

Attachment 4-1

SENATE COMMERCE COMMITTEE
FEBRUARY 19, 2001
SENATE BILL 307 – TARGET INITIATIVE
TESTIMONY – PAUL JOHNSON
PUBLIC ASSISTANCE COALITION OF KANSAS

Thank you for this opportunity to provide supportive testimony for Senate Bill 307. The Public Assistance Coalition of Kansas (PACK) advocates for poverty programs. PACK is supported by the Kansas Catholic Conference, the East and West Conference of the Kansas United Methodist Church, the Episcopal Diocese of Kansas, the United Church of Christ in Kansas and several private individuals. The Kansas Catholic Bishops through the Kansas Catholic Conference has issued Welfare Reform Statements for four years and I have included this statement as part of my testimony this morning. The last page of this welfare reform statement covers adult education and training opportunities.

‘For welfare reform to be successful, there have to be more opportunities for education and training.’ The simple truth is that SRS has tremendous fiscal demands on their limited budget. Every nickel has been pledged and SRS hopes that caseloads for various programs will not increase. SRS’s primary employment services are targeted to job search, job coaching and employment support services. There are virtually no funds targeted to higher quality skill-specific training. SRS is now planning to implement a second phase of welfare reform that would provide more quality job training and educational opportunities but the Governor did not include such recommendations in his proposed budget. SB 307 would provide additional resources for true welfare reform.

The federal welfare to work program was targeted for public assistance parents with the greatest barriers. Kansas matched the first round of \$6.6 million in federal funding with \$3.3 million in SGF. For the second round Kansas has only been able to find \$500,000 in SGF match for \$1 million in federal match. The good news is that \$3.2 million in federal funds will be received in 2002. Funds from SB 307 could help draw down Kansas share. The reality is that the vast majority of public assistance parents do not qualify for welfare -to- work services and need skill upgrades to find livable wage employment. SRS is simply unable financially to offer those services without additional resources. Every month approximately 2600 persons are applying for economic assistance. That is the time to assess their employment needs and offer appropriate services for skill development.

By passing SB 307, Kansas would join 29 other states in developing a state trust fund. The initiatives developed from this funding would be subject to formal appropriations process. This bill diverts about 50% of the unemployment insurance benefits tax from federal control to a trust fund in the Kansas treasury where the interest can be targeted to specific Kansas’ employment needs. This bill has a five-year sunset if necessary. In summary this bill and trust fund will help provide the essentials of training, assessment tools, recruitment of labor, coordinated services, employment centers and transition support. These tools will be especially helpful for ‘minimum wage’ families.

Senate Commerce Committee
Feb. 19, 2001
Attachment 5-1

LEGISLATIVE TESTIMONY



The Unified Voice of Business

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SB 307

February 19, 2001

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Committee on Commerce

by

Terry Leatherman
Vice President – Legislative Affairs
Kansas Chamber of Commerce and Industry

Madam Chair and members of the Committee:

My name is Terry Leatherman, Vice President of Legislative Affairs for the Kansas Chamber of Commerce and Industry. Thank you for this opportunity to explain why the Kansas Chamber reluctantly opposes passage of Senate Bill 307 at this time.

The Target Initiative Plan is undoubtedly one of the most innovative proposals to come before the Kansas Legislature in 2001. The purpose of this inventive program is to generate funds to provide a service of tantamount importance to the Kansas business community... finding ways to have

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 2,000 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 48% of KCCI's members having less than 25 employees, and 78% 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.

Senate Commerce Committee

Feb. 19, 2001
Attachment 6-1

more able, skilled and qualified workers to fill the employment needs in our state today. However, even though the bill's stated purpose addresses a major concern of KCCI members, the Kansas Chamber opposes SB 307 for the following reasons.

- The bill is contrary to the fundamental purpose of unemployment compensation.
- The bill will cause a multi-million dollar increase in employer unemployment taxes.
- It is uncertain the bill's workforce development goals will be achieved.
- The potential of economic downturn makes this a difficult time to initiate the Target Fund.

Permit me to elaborate on these concerns about the bill.

The bill is contrary to the fundamental purpose of unemployment compensation.

For decades, a fundamental set of principles have remained resolute regarding unemployment compensation. The first is the social insurance program would be exclusively financed through employer tax dollars. A second has been the assurance that every dollars paid in unemployment taxes would be used to pay benefits to workers who become unemployed through "no fault of their own." Kansas has never wavered from these fundamentals. It would do so if SB 307 were adopted. While the tax dollars employers pay would not be diverted, the interest income many of those dollars yield would go to fund government services of the Department of Human Resources.

The bill will cause a multi-million dollar increase in employer unemployment taxes.

To see how the Target Initiative Fund will affect unemployment taxes requires an overview of how unemployment compensation taxes are determined today. Virtually every Kansas employer pays unemployment compensation taxes. Typically, a tax rate is based on an employer's experience, the taxes that employer has paid and the benefits their workers have collected over the years. An employer's tax rate is paid on the first \$8,000 in salary for each of the employer's workers. All unemployment taxes are currently deposited in the Kansas Employment Security Trust Fund.

The overall unemployment compensation tax yield in Kansas in a given year is fluid. There are two key factors that determines how much the universe of employers will pay. The formula to determine this tax yield is illustrated in **ATTACHMENT 1.**

SB 307 proposes to take 70% of the unemployment taxes Kansas employers pay and place them in the Target Initiative Fund, and send the remaining 30% to the Kansas Employment Security Trust Fund. This transfer would continue until 2004, with a goal of building the Target Initiative Fund to \$400 million. For a snapshot look at the effect of SB 307, please review ATTACHMENT 2.

ATTACHMENT 3 provides a clearer view of the tax impact of SB 307. This is a KCCI analysis, looking at tax years 2001 through 2005 under current law and SB 307. There are analysis assumptions. Both assume annual payroll increases of 5%, annual unemployment benefit payments of \$150 million, and that all Funds will yield 5% interest. The analysis draws the following conclusions.

- From 2002 to 2005, employer taxes will be \$5.6 million dollars higher annually under the SB 307 proposal.
- The Trust Fund ending balance under current law average \$669.3 million. The SB 307 average would be \$640.6. This means that the state's ability to pay unemployment claims is superior under current law, on top of taxes being lower.
- An obvious result of the change called for in SB 307 is the reduction in interest earned by the Kansas Employment Security Trust Fund. The analysis of current law calls for an average of \$39 million in interest earnings, compared to \$23.5 million in the SB 307 scenario.
- During the 5-year analysis, the Kansas Department of Human Resources would yield \$74.1 million in its Target Administrative Fund, for the purpose of funding its programs, an average of \$14.8 million a year.

That final point does indicate an impressive return on investment. KDHR would yield \$14.8 million in funding dollars annually, compared to average employer cost of \$5.6 million. Still, the point remains that SB 307 is a tax increase, burdened exclusively by Kansas business.

It is uncertain the bill's workforce development goals will be achieved.

There is no doubt SB 307 would increase unemployment taxes. Then again, employers would never see a tax hike if the Target Initiative accomplishes its stated objective. In other words, you wipe out the tax increase if the Target Initiative programs get people to work and reduce unemployment. Recall the analysis used the constant that \$150 million would be paid in unemployment benefits. If the program meant those unemployment recipients were instead retrained or redirected to meaningful employment, those benefits would not be paid, the taxes would not go up, and the state of Kansas would be a much better place. However, KCCI has these concerns about achieving the stated goals of SB 307.

- Beginning on page 4, line 16 of SB 307 are four authorized expenditures of Target Administrative Funds. They include funding several KDHR programs for which "no funds or insufficient funds have been allocated," funding of repair and renovation of infrastructure used to administer existing programs, and paying the administrative costs for the collection of the Target Initiative Program.
- There is nothing in SB 307 to involve Kansas employers in even an advisory capacity in decisions on the use of the Target Administrative Fund.
- The Target Administrative Funds are subject to the appropriations process of the Kansas Legislature. As a result, there will be annual legislative review and development of what programs will utilize Target Fund dollars. For KCCI, which has for 15 years watched Economic Development Fund expenditures deviate from its original intent to fund new and innovative economic development initiatives, the Target Fund concept has many similarities.

The potential of economic downturn makes this a difficult time to initiate the Target Fund.

These are uniquely good economic times in Kansas. Unemployment has been at historic lows for many years. However, there are many signs that the inevitable shift in the

economy may be fast approaching. Today's Kansas Employment Security Trust Fund is below \$500 million. That is still very solvent and able to meet its obligations, but it would be tested if a significant recession is around the corner. If unemployment increases, the cost of the Target Initiative becomes a further drain on the ability to meet unemployment benefit obligations.

I began my testimony by expressing KCCI's "reluctant" opposition to SB 307. That comment was sincere. Since this initiative was first unveiled to me, it has been my pleasure to work with KDHR officials on this issue. Further, it is my hope to continue the dialogue this spring and summer, with the possibility that we can develop a funding process to produce greater employer/government cooperation in implementing meaningful workforce development programs for Kansans. The Target Initiative is a long range plan, taking several years to fully implement. KCCI would urge we take the time needed, exploring a variety of funding options, to build a legislative product that achieves the lofty goals of the authors of SB 307.

Thank you for the opportunity to comment on SB 307. I would be happy to respond to any questions.

Attachment 1 - U. C. Taxes for 2001

Unemployment Compensation Tax Yield

Employment Security Trust Fund Balance (as of July, 31, 2000)	\$522.1 million
Total Payrolls for the Fiscal Year	\$28.2 billion
Fund/Payroll Ratio	1.849%
Tax Yield for 2001 KSA 44-710(3)	.57%
Unemployment Taxes for 2001	\$161 million

9.9

Attachment 2 - Snapshot Look

Comparing current law to SB 307

	Current Law	SB 307
Trust Fund Balance (July, 31, 2000)	\$522.1 million	\$502.1 million
Total Payrolls	\$28.2 billion	\$28.2 billion
Fund/Payroll Ratio	1.849%	1.778%
Tax Yield for 2001 KSA 44-710(3)	.57%	.59%
Unemployment Taxes for 2001	\$161.3 million	\$166.6 million

Unemployment Tax Increase of \$5.3 million

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U.C. Taxes Under Current Law

	2001	2002	2003	2004	2005
Fund Balance	\$522.1 mill	\$567.6 mill	\$613.8 mill	\$664.3 mill	\$719.2 mill
Payrolls	\$28.2 bill	\$29.6 bill	\$31.1 bill	\$32.7 bill	\$34.3 bill
Ratio	1.849	1.918	1.974	2.031	2.097
Tax Yield	.57%	.54%	.52%	.50%	.49%
UC Taxes	\$161.3	\$159.8	\$161.7	\$163.5	\$168.1
Fund Subtotal	\$683.4	\$727.4	\$775.5	\$827.8	\$887.3
Interest	\$34.2	\$36.4	\$38.8	\$41.4	\$44.4
Benefits	-\$150	-\$150	-\$150	-\$150	-\$150
End Balance	\$567.6	\$613.8	\$664.3	\$719.2	\$781.7

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U.C. Taxes Under SB 307

	2001	2002	2003	2004	2005
Fund Balance	\$522.1 mill	\$561.9 mill	\$599.6 mill	\$635.5 mill	\$679.2 mill
Payrolls	\$28.2 bill	\$29.6 bill	\$31.1 bill	\$32.7 bill	\$34.3 bill
Ratio	1.849	1.898	1.928	1.943	1.980
Tax Yield	.57%	.55%	.53%	.53%	.51%
UC Taxes	\$161.3	\$162.8	\$164.8	\$173.3	\$174.9
TARGET FUND	\$112.9	\$114.0 (\$226.9)	\$115.4 (\$343.3)	\$56.7 (\$400.0)	-0- (\$400.0)
Fund Subtotal	\$570.5	\$497.8	\$421.1	\$408.8	\$454.1
Interest	\$28.5	\$24.9	\$21.1	\$20.4	\$22.7
Benefits	-\$150	-\$150	-\$150	-\$150	-\$150
End Balance	\$561.9	\$599.6	\$635.5	\$679.2	\$726.8
TARGET ADM FUND	\$5.6	\$11.3	\$17.2	\$20	\$20

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