

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:30 A.M. on January 23, 2007 in Room 123-S of the Capitol.

All members were present:

Committee staff present:

Amy Deckard, Kansas Legislative Research Department
Kathie Sparks, Kansas Legislative Research Department
Mike Heim, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Secretary Garner, Department of Labor
Will Lieker, AFLCIO
Dr. Krider, University of Kansas
Jeff Glendening, KCCI
Ken Daniel, Kansas Small Business.com
Duane Simpson, Kansas Grain & Feed Association

Others attending:

See attached list.

SB 78-Employment security law, definitions; eliminating the waiting week relating to unemployment compensation and shared work compensation

SB 83-Employment security law; contribution rates

Chairperson Brownlee announced to the Committee that Senator Wysong was going to be replaced by Senator Teichman beginning today and welcomed Senator Teichman to the Committee.

Chairperson Brownlee then introduced Scott McGinley representing western Kansas Rural Economic Development Alliance (wKREDA) to give a presentation and update. Mr. McGinley presented written copy. (Attachment 1) Mr. McGinley stated that wKREDA is an idea that materialized in 1994 because economic developers realized they could not succeed alone. wKREDA objectives are to promote the exchange of ideas and information among members to enhance effectiveness, and to provide activities.

Upon the completion of Mr. McGinley's review and update, questions and answers followed.

Chairperson Brownlee recognized John Federico representing the National Association of Professional Employer Organizations to make a bill introduction. Mr. Federico stated he would like to introduce a bill that would define and set up regulatory framework for businesses in the state of Kansas doing business as Professional Employer Organizations (PEO).

Senator Schodorf made a motion to introduce the bill. Senator Jordan seconded. Motion carried.

Chairperson Brownlee introduced Kathie Sparks, Legislative Research to explain **SB 78-Employment security law, definitions; eliminating the waiting week relating to unemployment compensation and shared work compensation**. Question and answers followed the explanation.

Upon the conclusion of questions and answers, Chairperson Brownlee opened the hearing on **SB 78** by introducing Secretary Garner with the Department of Labor to give his testimony as a proponent for **SB 78**. Secretary Garner presented written testimony. (Attachment 2) Secretary Garner stated the elimination of the waiting week will help unemployed Kansans by getting benefits started sooner and would be a smart and modern improvement to the states Employment Security Laws.

Question and answers followed.

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 8:30 A.M. on January 23, 20097 in Room 123-S of the Capitol.

Chairperson Brownlee introduced Wil Leiker, Executive Vice President of the Kansas AFLCIO to give his testimony as a proponent on **SB 78**. Mr. Leiker presented written testimony. (Attachment 3) Mr. Leiker stated the bill would aid the economically depressed Kansan who is temporarily unemployed and urged the Committee to vote in favor of the bill.

Questions and answers followed.

Chairperson Brownlee introduced Marlee Carpenter, KCCI to present written testimony on behalf of Glendening, KCCI, as an opponent for **SB 78**. (Attachment 4) Ms. Carpenter stated that KCCI feels that the check to the terminated employee in the 27th week will be of more value than receiving a check when in most circumstances; the individual also receives their last paycheck. In closing, she urged the Committee not to support the bill.

Questions and answers followed. Senator Brownlee requested that the research staff prepare a timeline memo to verify the information submitted by Mr. Leiker, AFLCIO.

With no further questions or testimony Chairperson Brownlee called the Committee's attention to the written only testimony of Corey Peterson, Association of General Contractors of Kansas, in opposition of **SB 78** and then she closed the hearing on **SB 78**. (Attachment 5)

Chairperson Brownlee introduced Kathie Sparks, Legislative Services to explain **SB 83-Employment security law; contribution rates**. Upon the conclusion of her explanation, Chairperson Brownlee opened the hearing on **SB 83** and introduced Secretary Garner to give his testimony as a proponent of **SB 83**. Secretary Garner presented written testimony. (Attachment 6) Secretary Garner stated the bill incorporates changes to the Employment Security Laws recommended by the Employment Security Advisory Council and he believes the bill represents responsible public policy.

Chairperson Brownlee stated there would be questions and answers after all the testimony had been given on **SB 83** and introduced Dr. Krieder, School of Business, University of Kansas, to give his testimony as an proponent of **SB 83**. Dr. Krider presented written testimony. (Attachment 7) Dr. Krider stated these reductions can be made without endangering the integrity of the employment security trust fund. He urged the Committee to support **SB 83**.

Chairperson Brownlee introduced Duane Simpson, Kansas Grain & Feed Association to give his testimony as a proponent of **SB 83**. Mr. Simpson presented written testimony (Attachment 8) Mr. Simpson stated the high balance in the unemployment fund is proof that some employers are paying too much unemployment insurance premiums and the Kansas Grain & Feed Association supported legislation that will correct that imbalance.

Brief questions and answers with Dr. Krider followed.

Chairperson Brownlee announced that due to the time, the hearing on **SB 83** would have to be continued to another day and adjourned the meeting at 9:32 a.m. with the next scheduled meeting January 24th, at 8:30 a.m. in room 123S.

wKREDA

Senate Commerce
Jan. 23, 2007
1-1

western Kansas Rural Economic Development Alliance
Kansas State Senate
Commerce Committee
Tuesday, January 23, 2007


Attachment 1-1
Senate Commerce Committee
January 23, 2007



What is wKREDA?

- An idea that materialized in 1994
- wKREDA was organized because economic developers realized that they could not succeed alone
 - Similar problems
 - Negative Trends
 - Needed to work together to succeed

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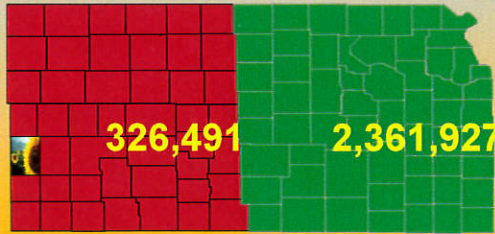
Common Challenges

- **Size**
 - Because of our size we know that we can achieve more cooperatively than individually
- **Common Issues**
 - Our communities suffer from similar problems


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Why Numbers Matter




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wKREDA's Objectives

- To promote the exchange of ideas and information among members to enhance effectiveness,
- To provide members with education and,
- To revitalize western Kansas through cooperative, community and rural development activities.

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wKREDA's Initiatives and Accomplishments

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Education

Community Development (CD) 101 Seminars

- Leadership
- Entrepreneurship
- Mentoring
- School Finance
- Enterprise Zones
- Community Marketing
- Tax Abatement
- Corporate Farming
- Downtown Beautification
- Working with Site Selectors
- Dairy Development
- Understanding Water


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Education

Community Development (CD) 101 Seminars

- Industrial Park Development
- Media Relations
- Telecommunications Recruitment
- E-Business for Retailers

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Government Affairs

- Develop Legislative Priorities Document
- Legislative Summit in Topeka
 - Cookie Summit
 - Discuss wKREDA mission with Lawmakers
- Local Meetings with western Kansas Legislators

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Public Relations

- www.discoverwesternkansas.com
 - About wKREDA
 - Committee information
 - Membership Directory & Calendar
 - About western Kansas
 - City, County and Statewide information
 - Online brochures
 - Opportunities in western Kansas
- Manage Member Listserve

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Business Development

- **Development of Dairy Industry**
 - International Dairy Shows (CA, NY & WI.)
 - Dairy Development Missions (CA, & WA.)
 - Large Herd Conference (Reno, NV)
 - Hosted 2 National Dairy Conferences
 - Dairy Team
 - Interaction w/ Dairymen & Investors
 - Media Tours
 - Dairy University

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Business Development

- **Value Added Agriculture**
 - Bio-diesel ethanol
 - Alternative crops
 - Wis. Cheese Manufacturers
 - Dairy, Deli, Bake Expo Anaheim, CA
 - World Food Expo
- **Manufacturing and Distribution**
 - Warehousing distribution
 - Denver Manufacturing Trade Show
 - 3i Show
- **Emerging Areas**
 - Alternative Energy (wind, methane)
 - Telepower

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Tools Available to Members

- **Web Site (www.discoverwesternkansas.com)**
 - Committee & Meeting minutes
 - Member websites
 - ED News and Information
 - City and County information
 - Online brochures
 - State level database access
 - Member directories
- **wKREDA ListServ**
 - Access to all members in one email
 - Ability to share success or failure
 - Ability to get varied perspectives and input
- **wKREDA Network**

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Participation

What does it mean to be a Member

- Engaged Participants
- Active Committees
- A regional view of development
- Willingness to share knowledge
- Everyone shares the benefit of collaboration

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Thank You

Presenter:
Scott McGinley, Aquila,
Economic Development

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Testimony in Support of 2007 Senate Bill 78
Senate Commerce Committee
Jim Garner, Secretary
Kansas Department of Labor
23 January 2007

Chairpersons Brownlee and Jordan and Members of the Committee:

Thank you for this opportunity to appear and share my comments in support of Senate Bill 78, legislation eliminating the current “waiting week” for unemployment insurance benefits. Governor Sebelius endorsed this policy change in her State of the State address last week along with her call for more than \$170 million in unemployment insurance tax relief.

Currently, Kansas law requires the first week of unemployment to serve as a “waiting week” during which an otherwise qualified unemployed claimant is not entitled to receive benefits. The “waiting week” is an anachronism from a time before computers. In the past, claims were manually processed and the technology did not exist for speedy processing of unemployment claims. It was once a federal requirement that states impose a “waiting week.” That is no longer the case as there are 14 states that no longer have a waiting week requirement in their laws. These states are Alabama, Connecticut, Delaware, Georgia, Iowa, Kentucky, Maryland, Michigan, Nevada, New Hampshire, New Jersey, Vermont, Wisconsin and Wyoming.

The elimination of the waiting week will help unemployed Kansans by getting benefits started sooner. Our agency estimates that it would provide approximately \$12.7 million to unemployed Kansans based on FY 2006 experiences. Most claimants never receive benefits for this first week of unemployment – only those who exhaust their benefits (usually 26 weeks) receive payment for the first week of unemployment.

The elimination of the “waiting week” for UI benefits is a smart and modern improvement to our Employment Security Laws.

Thank you for the opportunity to share my comments of support for Senate Bill 78. I would be happy to stand for any questions you may have.



President
Mark Love

Executive Secretary
Treasurer
Andy Sanchez

Executive Vice
President
Wil Leiker

Executive Board

*Paul Babich
Doris Branham
Mike Brink
Kurt Chaffee
Herb Dicus
Rick Greeno
David Han
Tom Harkness
Hoyt Hillman
Larry Horseman
Jim Keele
Lloyd Lavin
Emil Ramirez
Steve Rooney
Rory Schaffer
Mark Shughart
Richard Taylor
Brian Thompson
Dan Woodard*

Testimony in Support of SB 78
To the Senate Commerce Committee

By Wil Leiker, Executive Vice President
Kansas AFL-CIO

January 23, 2007

My name is Wil Leiker, Executive Vice President of the Kansas AFL-CIO. I am here to testify in support of SB 78. The intent of SB 78 is, in part, to correct one of the deficiencies of the Kansas Unemployment Law, the "waiting week."

The Kansas Employment Security Law was enacted in 1937 in concurrence with the Federal Social Security Act of 1935. The Social Security Act:

1. created a federal unemployment tax
2. allowed employers a federal tax credit for taxes paid under certified state laws
3. provided for federal financing of state administrative costs
4. gave autonomy over substantive elements of unemployment compensation programs to the individual states

The Kansas law was enacted to "... (encourage) employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor-relief assistance."

Unemployment Insurance is a key component of our economic structure—and its most powerful automatic economic stabilization tool.

Research shows: For each dollar of Unemployment Insurance benefits paid, on average \$2.15 in Gross Domestic Product (GDP) is generated through the multiplier effect.

What is a one-week waiting period? You must serve a one-week non-payable waiting period for each new unemployment claim or benefit year. To count as a waiting period week, you still must file a weekly claim and be entitled to benefits for the week. You will not be paid benefits for this waiting period week. Here in lies the problem which is fixable with the passage of this Bill.



Senate Commerce Committee
January 23, 2007

Attachment 3-1

I asked Secretary Garner of the Kansas Department of Labor for an analysis of the waiting week. It follows:

The "waiting week" appears to have been added by amendment to state law in 1941. At the time, it was a federal requirement and in order to be in compliance the state law had to be amended to include a mandatory one week waiting period. For the brief period in 1974 and 1975, the law was amended to allow payment of a ½ a weeks benefits for the waiting week. This was repealed in 1976. It appears that there is no longer a federal waiting week requirement as at this time there are nine states that do not have a one week waiting period in their state laws.

I question only the last sentence which indicates nine states do not have a one week waiting period. Attached to my testimony is a list provided to me in December of 2006 which indicates fourteen states do not have a waiting week?

In 1941 a waiting week was easy to understand as they did not have the electronic capabilities of today to process claims. Someone applying for benefits in Hays had to wait for the US mail to reach Topeka and return, this caused great delays in 1941 just to start the process which don't exist today.

The current pay rates while unemployed range from \$96.00 to a high of \$386.00 a week depending on how much the unemployed worker was earning. The maximum number of weeks a person can draw benefits under the current law is 26 weeks. Elimination of the waiting week does not add a week to the 26 weeks.

A wage earner who makes \$194.00 or more a day and gets laid off today, January 23, 2007, their waiting week will be January 28th thru February 3rd. They will under current law not receive an unemployment check until February 15, 2007, at the very earliest. I used the assumption that this individual worked two days in the work week and the two days totaled over the weekly benefit. This disqualifies that person to benefits that week. With taxes, weekly health care premiums etc. coming out of that two day check that individual will go a full month without a somewhat meaningful economic livelihood.

When a person is laid off from their means of buying power in their community, this state and our nation is affected. There is an economic impact anywhere this individual used their buying power. This impact need not be as severe as it is today.

The Employment Security Advisory Council voted unanimously (this includes the four Labor members) to support the concept of what is now SB 83, which gives employers a savings in taxes of approximately 150 million dollars over a two year period. There was a discussion at that meeting about the waiting week and a majority of the members agreed something could be done about the waiting week without putting a strain on the "Fund." Secretary Garner requested we wait to act on this matter until our February meeting at which time he could supply more information.

The Governor in her State of the State message sited the elimination of the waiting week just as she did her request for employers to get a tax reduction which is contained in SB 83.

Seldom has a day gone by in this room that we don't hear the term "Economic Development." The concept of economic development should not be just about multi national, multi state and other business entities both large and small. It should be about the individual, for the individuals make the whole. This bill would aid the economically depressed Kansan who is temporarily unemployed.

Thank you for allowing me to appear in front of you today.

State Workforce Agencies
With and Without Waiting Weeks

State Workforce Agencies	
With Waiting Weeks	Without Waiting Weeks
1 Alaska	Alabama
2 Arizona	Connecticut
3 Arkansas	Delaware
4 California <u>1/</u>	Georgia
5 Colorado	Iowa
6 Washington DC	Kentucky
7 Florida	Maryland
8 Hawaii	Michigan
9 Idaho	Nevada
10 Illinois <u>2/</u>	New Hampshire
11 Indiana	New Jersey
12 Kansas	Wisconsin
13 Louisiana	Vermont
14 Maine	Wyoming
15 Massachusetts	
16 Minnesota <u>3/</u>	
17 Mississippi	
18 Missouri <u>4/</u>	
19 Montana	
20 Nebraska	
21 New Mexico	
22 New York	
23 North Carolina <u>5/</u>	
24 North Dakota	
25 Ohio	
26 Oklahoma	
27 Oregon	
28 Pennsylvania	
29 Puerto Rico	
30 Rhode Island <u>6/</u>	
31 South Carolina	
32 South Dakota	
33 Tennessee <u>7/</u>	
34 Texas <u>8/</u>	
35 Utah <u>9/</u>	
36 Virginia <u>10/</u>	
37 Virgin Islands	
38 Washington	
39 West Virginia	

Source: Comparison of State Unemployment Insurance Laws 2006, Office of Workforce Security, Employment and Training Administration, U.S. Department of Labor

Labor Market Information Services
Kansas Department of Labor
December 2006

Footnotes

- 1/ Waiting period may be suspended by the Governor if compliance would prevent, hinder or delay the mitigation of the effects of any state-of-war emergency or state of emergency.
(In New Benefit Year) - Not to interrupt consecutive weeks of benefits. Waiting period must be served if, later in the new benefit year, the worker, after obtaining employment, again becomes unemployed. May be served in last week of old year.
- 2/ (In New Benefit Year) - May be served in last week of old benefit year.
- 3/ Waiting period will not apply if the claimant would have been eligible for disaster benefits, but for the claimant's establishment of a claim.
- 4/ Becomes compensable in 2008, but only when the remaining balance on the claims is \leq compensable amount for the waiting week.
- 5/ Waived for major industrial disasters.
- 6/ Waiting period will be suspended if the unemployment is due to a natural disaster or state of emergency.
- 7/ Becomes compensable after three consecutive weeks of compensable unemployment immediately following waiting period.
- 8/ Compensable after receipt of benefits equaling three x WBA.
- 9/ Exempt for one week waiting period where the worker is in approved mandatory apprenticeship related training.
- 10/ If unemployment caused by employer terminating operations, closing its business or declaring bankruptcy without paying final wages earned.

2006 CALENDAR

January 2006							February 2006							March 2006							April 2006								
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S		
1	2	3	4	5	6	7	5	6	7	8	9	10	11	5	6	7	8	9	10	11	2	3	4	5	6	7	8		
8	9	10	11	12	13	14	12	13	14	15	16	17	18	12	13	14	15	16	17	18	9	10	11	12	13	14	15		
15	16	17	18	19	20	21	19	20	21	22	23	24	25	19	20	21	22	23	24	25	16	17	18	19	20	21	22		
22	23	24	25	26	27	28	26	27	28	26	27	28	29	30	31	23	24	25	26	27	28	29	23	24	25	26	27	28	29
29	30	31																			30								

May 2006							June 2006							July 2006							August 2006						
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1	2	3	4	5	6	7	4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12
7	8	9	10	11	12	13	11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19
14	15	16	17	18	19	20	18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26
21	22	23	24	25	26	27	25	26	27	28	29	30	23	24	25	26	27	28	29	27	28	29	30	31			
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September 2006							October 2006							November 2006							December 2006						
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3	4	5	6	7	8	9	1	2	3	4	5	6	7	5	6	7	8	9	10	11	3	4	5	6	7	8	9
10	11	12	13	14	15	16	8	9	10	11	12	13	14	12	13	14	15	16	17	18	10	11	12	13	14	15	16
17	18	19	20	21	22	23	15	16	17	18	19	20	21	19	20	21	22	23	24	25	17	18	19	20	21	22	23
24	25	26	27	28	29	30	22	23	24	25	26	27	28	26	27	28	29	30	24	25	26	27	28	29	30		
							29	30	31												31						

2007 CALENDAR

January 2007							February 2007							March 2007							April 2007						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	1	2	3	4	5	6	7	1	2	3	4	5	6	7	1	2	3	4	5	6	7
7	8	9	10	11	12	13	4	5	6	7	8	9	10	4	5	6	7	8	9	10	8	9	10	11	12	13	14
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21	22	23	24	25	26	27	18	19	20	21	22	23	24	18	19	20	21	22	23	24	22	23	24	25	26	27	28
28	29	30	31	25	26	27	28	25	26	27	28	29	30	31	29	30	29	30									

May 2007							June 2007							July 2007							August 2007						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	1	2	3	4	5	6	7	1	2	3	4	5	6	7	1	2	3	4	5	6	7
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	5	6	7	8	9	10	11
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	12	13	14	15	16	17	18
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	19	20	21	22	23	24	25
27	28	29	30	31	24	25	26	27	28	29	30	29	30	31	26	27	28	29	30	31							

September 2007							October 2007							November 2007							December 2007						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7	8	1	2	3	4	5	6	1	2	3	4	5	6	7	1	2	3	4	5	6	7
9	10	11	12	13	14	15	7	8	9	10	11	12	13	4	5	6	7	8	9	10	9	10	11	12	13	14	15
16	17	18	19	20	21	22	14	15	16	17	18	19	20	11	12	13	14	15	16	17	16	17	18	19	20	21	22
23	24	25	26	27	28	29	21	22	23	24	25	26	27	18	19	20	21	22	23	24	23	24	25	26	27	28	29
30							28	29	30	31	25	26	27	28	29	30	30	31									

2008 CALENDAR

January 2008							February 2008							March 2008							April 2008						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
6	7	8	9	10	11	12	3	4	5	6	7	8	9	2	3	4	5	6	7	8	6	7	8	9	10	11	12
13	14	15	16	17	18	19	10	11	12	13	14	15	16	9	10	11	12	13	14	15	13	14	15	16	17	18	19
20	21	22	23	24	25	26	17	18	19	20	21	22	23	16	17	18	19	20	21	22	20	21	22	23	24	25	26
27	28	29	30	31	24	25	26	27	28	29	23	24	25	26	27	28	29	27	28	29	30						

May 2008							June 2008							July 2008							August 2008						
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4	5	6	7	8	9	10	1	2	3	4	5	6	7	6	7	8	9	10	11	12	3	4	5	6	7	8	9
11	12	13	14	15	16	17	8	9	10	11	12	13	14	13	14	15	16	17	18	19	10	11	12	13	14	15	16
18	19	20	21	22	23	24	15	16	17	18	19	20	21	20	21	22	23	24	25	26	17	18	19	20	21	22	23
25	26	27	28	29	30	31	22	23	24	25	26	27	28	27	28	29	30	31	24	25	26	27	28	29	30		

September 2008							October 2008							November 2008							December 2008						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
7	8	9	10	11	12	13	5	6	7	8	9	10	11	2	3	4	5	6	7	8	7	8	9	10	11	12	13
14	15	16	17	18	19	20	12	13	14	15	16	17	18	9	10	11	12	13	14	15	14	15	16	17	18	19	20
21	22	23	24	25	26	27	19	20	21	22	23	24	25	16	17	18	19	20	21	22	21	22	23	24	25	26	27
28	29	30					26	27	28	29	30	31	23	24	25	26	27	28	29	28	29	30	31				

Legislative Testimony

SB 78

January 23, 2007

**Testimony before the Kansas Senate Commerce Committee
By Jeff Glendening, Vice President of Political Affairs**

Thank you Madame Chair, Mr. Chairman and members of the committee for this opportunity to testify in opposition to SB 78. My name is Jeff Glendening, and I am representing the over 10,000 member businesses of The Kansas Chamber.

SB 78 seeks to eliminate the waiting week for unemployment compensation to be received by employees who qualify for unemployment benefits.

The waiting week has been Kansas law since 1941. In 1974 and 1975, the law permitted half of the waiting week to be paid. That measure was repealed in 1976 in exchange for the maximum weekly benefit increase from 55% to 60% of the state average weekly wage.

The purpose of the waiting week is to establish the workers separation from the workplace, to encourage an employee's prompt pursuit of new employment and to permit an employer to provide information regarding benefit eligibility. The waiting week was also established as a method to conserve the benefit funds by reducing or eliminating payments for short periods of unemployment.

Kansas is not alone in utilizing the waiting week. While there is some variation in practice, 36 states have a waiting week provision in their state law.

It is also important to note that the check to the terminated employee in the 27th week will be of more value than receiving a check when in most circumstances, the individual also receives their last paycheck. The only people who benefit from this change are those who find jobs prior to the 27th week.

Thank you again for the opportunity to voice our opposition of this approximately \$10 million increased burden on Kansas businesses.

Senate Commerce Committee

January 23, 2007

Attachment 4

The Kansas Chamber, with headquarters in Topeka, is the statewide business advocacy group moving Kansas towards becoming the best state in America to do business. The Kansas Chamber and its affiliate organization, The Kansas Chamber Federation, have more than 10,000 member businesses, including local and regional chambers of commerce and trade organizations. The Chamber represents small, medium and large employers all across Kansas.



**THE KANSAS
CHAMBER**

The Force for Business

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**TESTIMONY OF
ASSOCIATED GENERAL CONTRACTORS OF KANSAS
BEFORE SENATE COMMITTEE ON COMMERCE**

SB 78

January 23, 2007

By Corey Peterson, Associated General Contractors of Kansas, Inc.

Madam Chair, Mister Chair and members of the committee, my name is Corey Peterson, Executive Vice President of the Associated General Contractors of Kansas, Inc. The AGC of Kansas is a trade association representing the commercial building construction industry, including general contractors, subcontractors and suppliers throughout Kansas (with the exception of Johnson and Wyandotte counties).

The AGC of Kansas opposes Senate Bill 78 and requests that you do not report it favorably for passage.

Eliminating the waiting period for an unemployed worker will have a negative impact on businesses throughout the state of Kansas, specifically the construction industry which has a relatively high rate of turnover.

Many times the one week waiting period is used by both the employer and the state for verification purposes. From an employer's position, the waiting period is used to respond to the employee's unemployment request, as well as any dispute which may arise. The state uses this time to verify previous employment with the company and eligibility. This bill would allow an individual requesting unemployment compensation to begin receiving benefits before any verification took place.

Again, AGC of Kansas respectfully asks that you do not recommend Senate Bill 78 favorably for passage. Thank you.

Senate Commerce Committee
January 23, 2007
Attachment 5

Testimony in Support of 2007 Senate Bill 83
Senate Commerce Committee
Jim Garner, Secretary
Kansas Department of Labor
23 January 2007

Chairpersons Brownlee and Jordan and Members of the Committee:

Thank you for this opportunity to appear and share my comments in support of 2007 Senate Bill 83, legislation that will reduce unemployment tax rates and save Kansas employers more than \$170 million during the next two years. This bill incorporates changes to the Employment Security Laws recommended by the Employment Security Advisory Council. For your information, I have attached a list of the members of the Council.

In December, Governor Sebelius asked the Council to make a recommendation on how best to reduce Unemployment Insurance taxes for Kansas employers while ensuring the future integrity of the UI Trust Fund. On January 4th, the Council met and after very thorough discussions, they made their recommendations for legislation on this matter. The Council unanimously endorsed a proposal to reduce UI taxes for employers, saving businesses more than \$170 million during CYs 2007 and 2008. The Council also recommended setting a standard "New Employer" rate of 4.0 percent (6 percent for new employers in the Construction industry) and a change to simplify the definition of an "employer" under the Employment Security Act to include any employer who employs one or more individuals during a calendar year. These changes are found in Senate Bill 83.

The proposed changes to tax rates for experienced rated employers range from 25 percent to 100 percent in tax reduction. These rate reductions, if enacted, will provide more than \$170 million in tax relief to these employers in tax years 2007 and 2008. In addition, the Council was careful to protect the future integrity of the Trust Fund, including a mechanism to ensure the Trust Fund balance remains adequate to pay projected benefits to all unemployed workers – using a measurement endorsed by the U.S. Department of Labor.

Senate Commerce Committee
January 23, 2007

Attachment 6-1

The bill also recommends a flat rate for new employers in Kansas, replacing the previous rate determined by industry classification. This change will result in an estimated \$4.1 million tax reduction for new employers. This change will also facilitate a much quicker establishment of new employer accounts.

As Chair of the Advisory Council, I believe Senate Bill 83 represents responsible public policy. It provides significant tax relief to every positive balance experienced rated employer, preserves the integrity of the Trust Fund and prevents the unintended burdens on businesses in the future such as those experienced with the moratorium in the past.

Thank you for the opportunity to share my comments in support of Senate Bill 83. I would be happy to stand for any questions you may have.

Kansas Employment Security Advisory Council

(Revised October 2006)

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Testimony before the Senate Commerce Committee
Senate Bill 83

By

Charles E. Krider
Professor
School of Business
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January 23, 2007

I am a public member of the Employment Security Advisory Council that has considered and approved the amendments before you in SB 83. I will limit my testimony to the two proposed amendments which I think are particularly important for the state's economy. My conclusion is that they make a positive contribution to the economic development of Kansas.

Contribution Rates. On page 28 there is a proposed reduction in the contribution rate for most employers for 2007 and 2008. Depending on their experience rating the reductions will be from 0.00% to 100%. Firms with the best experience rating receive the largest reduction. The contribution rates are reduced according to the following:

Groups 1 – 10	100%
Groups 11 – 20	75%
Groups 21 – 30	50%
Groups 31 – 51	25%

The savings to Kansas employers in 2007 will be \$90,000,000; in 2008 the savings will be \$80,000,000.

These reductions can be made without endangering the integrity of the employment security trust fund. If the balance of the fund in 2007 falls below an appropriate level the reductions scheduled for 2008 will not take place.

Senate Commerce Committee
January 23, 2007
Attachment 7-1

New Employers. Beginning with 2007 new employers will all pay a contribution rate of 4.0% rather than different rates depending on their industry. This change will save new employers in Kansas \$4 million in 2007 and subsequent years.

Positive for Economic Development. The two proposals on changing contribution rates are positive for economic development for at least two reasons.

First, Kansas employers will save money that can be invested in their businesses. Existing firms will save \$90,000,000 in 2007 that will be available to invest in their businesses and new firms will save an additional \$4,000,000. This will mean that some firms will be able to expand and create new jobs. And some firms that have been struggling may be able to survive. This change is all positive for Kansas businesses. The Kansas economy will be stronger in 2007 and 2008 because of the reduced taxes that are possible with no reduction in state services.

The \$4,000,000 reduction for new firms is important since they will have additional financial resources as they start.

Second, changes are a positive signal about the business climate in Kansas. The ability to reduce contribution rates while retaining existing payment rates for the unemployed shows that the Kansas employment security program is well managed and that employers benefit from that good management whenever possible. Employers should know that a healthy trust fund balance means that there is no UI tax increase anticipated and that a lower tax rate will be in place for most Kansas employers for at least the next two years.

The good news on the trust fund balance and the lower contribution rates should be made known to all Kansas employers through a letter from the Secretary of Labor. The Department of Commerce should also use this reduction in its promotional materials for companies or entrepreneurs considering Kansas as a business location. Local economic development organizations in the state should also be encouraged to also use the contribution reduction in their recruitment efforts.



Kansas Grain & Feed Association

Kansas Agribusiness Retailers Association

Joint Statement in Support of Senate Bill 83
Senate Commerce Committee
Karin Brownlee, Chair
January 23, 2007



Thank you Madam Chair and members of the Senate Commerce Committee; I am Duane Simpson, Vice President of Government Affairs for the Kansas Grain and Feed Association (KGFA) and the Kansas Agribusiness Retailers Association (KARA).

KGFA is a voluntary state association with a membership encompassing the entire spectrum of the grain receiving, storage, processing and shipping industry in the state of Kansas. KGFA's membership includes over 950 Kansas business locations and represents 99% of the commercially licensed grain storage in the state.

KARA's membership includes over 700 agribusiness firms that are primarily retail facilities that supply fertilizers, crop protection chemicals, seed, petroleum products and agronomic expertise to Kansas farmers. KARA's membership base also includes ag-chemical and equipment manufacturing firms, distribution firms and various other businesses associated with the retail crop production industry. On behalf of these organizations, I am testifying in support of Senate Bill 83.

SB 83 is one several versions of Unemployment Compensation Insurance relief bills that we will see this year. With the unemployment fund currently having a balance over \$600 million, there are several proposals floating around to give relief to employers.

SB 83 reduces unemployment insurance liability based upon a business's experience. If a business is a negative balance employer, they will not get a reduction. If a business is in the top 20% of all positive balance employers, they will get a 100% cut for 2007 and 2008. If they are in the 21% - 40% group of positive balance employers, they receive a 75% rate cut. The 41% - 60% group will get a 50% rate cut and all other positive balance employers get a 25% cut.

Our members represent a wide variety of business sizes and shapes. Most of them are positive balance employers and most of them have a history of employing people for long periods of time. We have a very low turnover rate, but we do lose jobs for various economic reasons.

The high balance in the unemployment fund is proof that some employers are paying too much in unemployment insurance premiums. We support any legislation that will correct that imbalance, however we believe this bill is by far the most equitable bill of all the versions of unemployment insurance cuts we will see this year. The lower the turnover at your business, the less you should pay. That's exactly what this bill does.

I urge the members of the committee to pass SB 83 and will stand for questions at the appropriate time.

Senate Commerce Committee
January 23, 2007

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