

Approved: 3/5/10
Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:02 a.m. on February 3, 2010, in Room 784 of the Docking State Office Building.

All members were present.

Committee staff present:

Art Griggs, Office of the Revisor of Statutes
Renaë Jefferies, Office of the Revisor of Statutes
Jerry Donaldson, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Stephen Bainum, Committee Assistant

Others attending:

See attached list.

The Chairman opened the meeting to discuss three categories of concerns related to Unemployment Insurance. The first concern was the businesses that were hit with a much larger increase in the UI tax than they had expected or budgeted for. The second concern is rebuilding the Trust Fund which is now depleted. The third concern is the repayment of funds borrowed from the Federal Government to pay Unemployment Benefits.

Representative Grant said that he understood that we had to borrow money from the Feds for two Januaries before it had to be repaid.

The Chairman introduced Megan Bottenberg, Kansas Department of Labor Liaison for Government Affairs, to provide information about repaying the loan. Megan said that was in regard to repaying the interest. If we had borrowed for two Januaries we would have to start repaying the interest in September of 2011.

Representative Brunk said that we will get a recommendation from ESAC but it is our responsibility to do something about this problem. He said that he would like to start the discussion on the problem of giving some relief to the businesses that saw a 500 to 900 percent increase in their UI taxes.

Representative Kerschen said that he agreed that we had to do something about the huge increase. We could average it out or give a tax credit. We need something done that is quick.

Representative Jack said we need a way to encourage employers to prevent layoffs. He said that we do not have to raise the \$320 million dollars to replenish the Fund. It is not statutory, we could average it out. He indicated that he had introduced a bill and the Revisors were working on it. He pointed out the 2010 Original Tax Rate Computation and the 2010 Adjusted Tax Rates. Because the Tax Rate is capped at 5.4% the positive balance employers are being hit with a higher percentage they must pay into the fund. My solution to this is to offer a 5 year tax credit carried forward for five years that would come off of their State income tax.

Representative Grant asked if the tax credit would reduce revenue and exacerbate the problem.

Representative Jack said that it is a short term reduction. If we don't solve this problem unemployment will increase.

Representative Wolf said that five years is nothing to a small business. We need to give relief this month.

Representative Bowers said she had been in business for 22 years and was happy to be at Rate Group 20 with 4.86 percent. The rate has not caused me to lay anyone off but I'm not hiring anyone. What we are hearing from others is that there is no incentive to be a good employer. Right now we are in a holding pattern. We need to do something to jumpstart that now.

Representative Tietze said that we need to look at the whole thing and figure out a way that we can hire people. We did use the moratorium to add employees and boost the revenue.

CONTINUATION SHEET

Minutes of the House Commerce and Labor Committee at 9:02 a.m. on February 3, 2010, in Room 784 of the Docking State Office Building.

Representative Worley said the problem was the April deadline. We could take the \$8,000 base and multiply it by four and divide the rate by four and spread the payment out over the year. This is something we could do in a short time and spread the impact over the whole year.

Representative Grange said he agreed with Representative Worley and we need to tell Secretary Garner that he is not going to get all of that money in April. Is there something in rules and regulations that would allow us to get it done? The Department of Labor needs to work with us to accomplish this.

Representative Brunk said that we do have to work with the Department of Labor to do this. There are a number of options available. One would be to take the April payment and spread it out over the year. Another is to remove any penalty or interest an employer might incur for not paying the full bill in April.

Representative Tietze said we need to identify the issues that we are going to deal with. There are so many out there. Are we going to do all of these or are we going to prioritize them.

Representative Brunk said that he agreed with that and went back to his original comment. The April bill is priority number one. Number two is repaying the fund. We are focusing on priority number one now.

Representative Quigley suggested that we look at the recommendations from the ESAC group. The Chairman said that we certainly will look at their recommendations. Their concern now is not on relief for the employers who are being hit with large increases. Their concern is on rebuilding the fund. Rachelle Colombo said that the ESAC committee will be meeting tomorrow and they will look at the recommendations that you are studying.

Representative Swenson said that he has seen some interest in raising the base. The impact would be to shift the burden from the lower wage employers to the higher wage employers. We have the lowest wage base in the nation and some people would like to see that wage base increased.

Representative Schwab said there has been some interest in capping the negative employers in the fund at the same amount as the positive. This would increase the rates on the negative users and hopefully offset some of the burden, especially on some of the smaller employers.

Representative Tietze asked if the Department could put together some hypothetical charts so that we could see what those numbers do if we apply some of these solutions.

The Chairman said that we want your best ideas to solve the 2010 problem. Then secondly, your best ideas on how to restore the fund.

The next meeting is scheduled for February 4, 2010.

The meeting was adjourned at 10:05 a.m.

COMMERCE & LABOR COMMITTEE

DATE: 2-3-10

NAME	REPRESENTING
TED HENRY	CAPITOL STRATEGIES
Kelli Kirkwood	KLA
Leigh Keck	Main law firm
Natalie Bright	KS-SHRM
Rachelle Colombo	KS chamber
Kent Cornish	KS Assoc. of Broadcasters
John Freulich	Boeing