

MINUTES OF THE SENATE BUSINESS AND LABOR COMMITTEE

The meeting was called to order by Chairman Susan Wagle at 8:30 a.m. on February 16, 2010, in Room 548-S of the Capitol.

All members were present.

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant
Mr. Reed Holwegner, Kansas Legislative Research Department
Ms. Kathie Sparks, Kansas Legislative Research Department
Mr. Ken Wilke, Kansas Office of the Revisor of Statutes

Conferees appearing before the Committee:

Mr. Jim Garner, Secretary, Kansas Department of Labor
Ms. Rachele Columbo, Senior Director of Legislative Affairs,
The Kansas Chamber representing
The Kansas Business Coalition on Unemployment Insurance
Mr. Andy Sanchez, Executive Secretary-Treasurer, KS AFL-CIO

Others attending:

See attached list.

Handout

Upon calling the meeting to order, Chairman Wagle stated the Committee had before them, two handouts from Secretary Garner. The first handout is a memorandum from Secretary Garner responding to questions asked in the February 2, 2010 Committee meeting including:

1. Information on how other states are responding to the depletion of their UI Trust Fund.
2. Transfer UI taxes from state to state.
3. Projections on increasing the surcharge.
4. How interest on Trust Fund balance and loans are computed.

A copy of the above memorandum and attachments is (Attachment 1) attached and incorporated into the Minutes as referenced.

The second handout is in regard to **HB2676** which is going to be debated today on the floor of the House, essentially adopting the original 2010 rates which will lower the rate for some positive employers. If you remember, the Chair said, when the fund fell, Secretary Garner, in accordance to statute, determined how much money was needed to bring back into the fund. He rated it over the positive and negative employers, with the high side of the positive employers paying in as much as 8.76 % but capped at 5.4 %. When he recalculated the 2010 rates to allow for the 5.4% cap, it pushed up a bunch of positive employers into higher rates that were in the middle of the chart. So the House adopted the original 2010 rate which kept the experience in tact and brings less money into the fund. The second handout, shows how much the cost of the interest is on the money borrowed, or what this bill will cost. A copy of the "Cost for **HB2676**" is (Attachment 2) attached and incorporated into the Minutes as referenced.

Hearing on SB545 - an act concerning the employment security law; pertaining to the definition of wages

The Chair said next order of business is a hearing on another aspect of what we are dealing with and that is **SB545**, which only deals with the benefits of which there are three in this bill including:

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1. With regard to people who are laid off part time, they can go into training part of that work week and can receive partial benefits. This was passed last year.
2. Regarding the waiting week, in 2007 there was a Business & Labor bill that was a compromise. The statute used to say you did not pay a waiting week (ex. This week you get laid off, the next week you receive unemployment.) but legislation changed this so that on the third week of unemployment, you receive two checks giving back that waiting week.
3. The third takes away the benefits for the trailing spouse.

The Chair then called on the only proponent conferee Ms. Rachele Columbo, Senior Director of Legislative Affairs, The Kansas Chamber who stated on behalf of the Kansas Business Coalition on Unemployment Insurance:

1. Each of the above measures were recently enacted when the employment security trust fund was believed to be stable and capable of expanding eligibility and benefit payment without significantly increasing employer contributions, but that since the passage of these measures, new information has become available and employers are now shouldering a historic tax increase to restore the fund's solvency even as benefits are expanding.
2. Kansas employers have kept our fund healthier than the twenty five states that bankrupted before us and yet have been burdened with the fifth largest unemployment tax increase in the country according to the National Association of State Workforce Agencies.
3. Employers understand that the fund is broke and tax breaks are no longer in place, however, they also believe benefits have been awarded too liberally and expanded beyond what the fund can bare without bankrupting business, and as unemployment continues to escalate, they must protect the fund's primary purpose which is partial wage replacement for individuals seeking to work but unemployed through no fault of their own.

Lastly, regarding the training program they do believe it would be best to delay implementation for a year as stated in the bill so they could get a better grasp on what the cost of that implementation would be and try to bring benefits back in line with their contributions. A copy of her testimony is (Attachment 3) attached and incorporated into the Minutes as referenced.

Written proponent testimony came from Ms. Natalie Bright, Legislative Counsel, for the Society of Human Resource Management was also offered. A copy of her testimony is (Attachment 4) attached and incorporated into the Minutes as referenced.

The Chair then asked for feedback from the audience on the workforce training calling on Mr. Bud Burke from Cessna, asking how they look at this part of the bill. He said Cessna has approximately 7,000 people unemployed at this point and have identified approximately 500 employers they believe have officially taking advantage of the workforce training program. They are opposed to the passage of that section of the bill.

The Chair recognized Senator Schodorf who asked, did this go into effect in January and, if so, has any business used this between then and now, or applied to use it? Answer: Secretary Garner said that under the extension provisions, there has not been yet, but in current law there is a provision that allows for people in training to draw unemployment benefits. KDOL reported about 2600 individuals in 2009 that are involved in that program. As he reads the language in the bill, they cannot do any training programs through the federal workforce investment act program which, he thinks, not only applies to the new extension that was passed last year, but includes the training provisions they provide for and most of the training that comes under that federal workforce investment act program.

The Chair then called on the only opponent of the bill, Mr. Andy Sanchez, Executive Secretary-Treasurer, KS AFL-CIO who stated that maintaining benefits gives way to a recovering economy, this is the wrong time to

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solicit employers about fraud and abuse as they already know that Kansas' unemployed workers drew unemployment benefits for a shorter period of time than the national average. He also offered information from a survey taken in Washington State, that he thought was done by their DOL, showing that jobless

workers spent most of their UI benefits to cover their mortgages and rent than anything else, or 41% of their expenditures to remain in their home, 14% for transportation, 13% for food, 12% for loans, and 6% for health care. A copy of his testimony is (Attachment 5) attached and incorporated into the Minutes as referenced.

The Chair asked, before the down turn in the economy, an unemployed worker qualified for 26 weeks of unemployment, and now with federal extensions they are making about 86 weeks so haven't the benefits changed tremendously with the passage of the federal stimulus package? Answer: Mr. Sanchez said that this is probably a very small percentage that would hit unemployment at just the right time to qualify for 86 weeks and he would be interested in knowing what percentage of the unemployed workers actually qualify for the full 86 weeks.

Questions for Secretary Garner came from Senators, Schodorf, Wagle and Brownlee including:

- If someone is unemployed now, how long will they get benefits and how does it apply to part time employees? Answer: Secretary Garner said it depends on each individual situation because the eligibility, how many weeks you get regular unemployment benefits, is determined by how much earnings is in your base period. KDOL looks back at the last 5 quarters, what your earnings are in the first 4 quarters and you can get up to 26 weeks. Then if you exhaust those regular benefits, whether it be 10 weeks, 15 weeks, etc. you may then be eligible for federal extended benefits, of which there are three tiers, and once you meet the eligibility for the federal, you can get benefits for each one of those tiers of extended benefits. Regarding part time employees, it still based on your earnings, if you have sufficient earnings in your base period then you would qualify for benefits.

- The low wage workers who have worked the entire time as opposed to part time employees, do they then qualify, and is it totally dependent on your earnings or is it also dependent on your having worked every one of those weeks in the base period and what is the level of earning in Kansas? Answer: Secretary Garner said it is based on the amount of your earnings that you had, earnings in each of the four quarters, but you have to have a certain level of earnings to qualify for unemployment. Earnings have been set higher for Kansas, sixth highest in the nation, and they are approximately \$3200 during the base period of four quarters. At the high end, if you earn over \$34,000, you are still capped at this rate.

- Of those people who remained unemployed last year, what percentage would not have received the full Kansas 26 weeks? Answer: The average duration on unemployment benefits for a four quarter average ending in third quarter, 2009 was 16.6 weeks.

-What is the average weekly wage in 2009 in Kansas and how much is that a year? Answer: Average weekly wage was \$718 week, \$37.3K for the year. The maximum weekly benefit amount is 60% of the average weekly wage.

The Chair then asked if Secretary Garner wanted to comment on the bill. He said KDOL is opposed to **SB545**:

1. Regarding section one, it is a little confusing from their reading of the bill. It appears to eliminate the provision allowing claimants to participate in Workforce Investment Act (WIA) training programs while receiving unemployment benefits effective for the remainder of this calendar year, which to them seems counter productive. He went on to say:

A. In the 2009 calendar year, nearly 2,600 claimants participated in "approved training" programs while obtaining benefits, the vast majority being under WIA which is administered by the Department of Commerce regional workforce centers and directed toward training individuals in skills needed for high demand occupations.

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B. In this particular recession, it only makes sense for idle workers to use this time between jobs to train and acquire new skills that employers will be looking for when recovery comes. (Two years ago, the biggest concern in the labor market was having an adequate supply of trained workers.)

2. Regrading section two, as long as claimants meet the requirement of seeking work, as well as all other eligibility requirements, they can receive benefits, and if the claimants seek the same type of work they held previously, it does not matter whether the work is part time or full time. However, this measure would discourage unemployed workers from seeking any employment available to them and by disqualifying folks from receiving benefits because they are seeking part time employment, encourages those individuals to stay on unemployment longer than they might need to. Regarding the waiting week, the only claimants who would receive payment for the waiting week under this bill would be those who exhaust their 26 weeks of regular benefits.

3. Regarding section three, the long standing policy that an individual who relocates with their spouse who is transferred in their job or accepts new employment. There were a little more than 470 claimants in 2009 that were affected by this provision of the law. This change would be especially hard on our military families and in this day and age, when the majority of families require two incomes to get by, this is not a pro-family change.

He concluded by saying at a time when the Legislature is working to reduce the current statutorily required taxes on employers, this bill seems one-sided. The message is that we must ease the burden on employers during these tough times, but it is okay to pile on to the burdens of the unemployed by actually taking help away from those who are without work due to this recession. A copy of his testimony is (Attachment 6) attached and incorporated into the Minutes as referenced.

Questions for Secretary Garner came from Senators Brownlee, Faust Goudeau, Lynn, Wagle, Holland, and Kelsey including:

- What is the actual process an individual goes through when seeking unemployment, what is the process of the employer, and how is it all checked out, how do you certify or prove they actually looked for a job, have been turned down and are not actually saying no they don't want a job? Answer: There is a requirement that folks be actively seeking employment while drawing unemployment benefits. Every claimant who signs up for unemployment are now automatically registered with the services of the public workforce system and are directed towards the job posting boards, job search services that are provided through workforce centers. Every time they file a continuing claim, KDOL reminds them that they have certified that they have been searching for work during that period of time when they make that continuing claim for unemployment benefits. Also there is a unit in KDOL's operations that does a sample review of claims every week, making sure they have met all of the requirements

- To clarify the question, what is the mechanism you have in place to know they are actively seeking employment, how is that certified so you know they are seeking employment? Answer: A random audit is basically how it is done. We also encourages employers to let us know if they have offered people jobs and have been turned down for employment.

- Regarding part time benefits, if a person makes \$3200 over four quarters, what is the level of their benefit? Answer: \$109.00 per week for 10 weeks because there is a cap on the amount of benefits you get, you cannot earn more than a third of the entire amount of money earned in that base year.

- Is this part time benefit part of the problem by not going back to work, if I get a part time benefit what is her incentive? Answer: part time jobs plays an important part in our economy, they provide a critical role they should be treated like other jobs as well.

- What things do you or the administration suggest that we do to help the continual increase in our payments and what would be acceptable to the administration to assist the issue that the Committee is trying to address, which is the tremendous burden business is experiencing? Answer: Exploring all kinds of

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options, seeing what they can do administratively or what needs to be done legislatively, but not in a position right now to say there is a laundry list of things.

- Regarding training programs, how does that impact our UI Trust Fund? Answer: 2600 people who are in training right now, meet all of the other eligibility requirements for unemployment benefits and if they were not training they would have to be out looking for employment

- Suggests the Committee needs to have a very crisp understanding as far as the bottom line dollar impact to the UI Trust Fund is, so on your handout "Cost for **HB2676**" (Attachment 2), could you explain the \$147M shown on page 2? Answer: You reduce the rates back to the pre adjusted rates for 2010 from the certain group of positive balance employers, that is a difference of \$43M. We basically took \$43M from the higher experience rated employers and shoved that down to the lower, because we were capped at the 5.4 percent. If we keep those rates in place for 2011 which the House bill does that would be another \$63M that would have been redistributed that would not be under that bill. So that is 43M for 2011, 63M for 2011, then their economists did their projections out of what interest would have to be paid.

Adjournment

The Chair then said that tomorrow, the Committee would be working a bill and the first questions she will be asking them, is your desire to come up with a bill and put it in the House bill that is coming over by Thursday, or do a separate bill? Tomorrow they will be looking at all concepts, looking at relief to business, ESAC recommendations, conceptually put together a bill, decide how you want to run it and then let Mr. Wilke work on it. The Chair announced the meeting was adjourned. The time was 9:30 a.m.

The next meeting is scheduled for February 17, 2010.

BUSINESS AND LABOR COMMITTEE GUEST LIST

DATE: 2-16-10

| NAME | REPRESENTING |
|-----------------------|--------------------|
| Rachelle Colombo | KS chamber |
| Megan Bottenberg | KDOL |
| Jim Garner | KDOL |
| Judy Mac | KDOL |
| Bob Herz | KDOL |
| Inayat Alnoor Mohamed | KDOL |
| Heather Sovern | KDOL |
| Cori Stauffer | KDOL |
| Jim W. Dinning | KDOL |
| Ken Sehn | K&FA |
| Steve Ahlert | Kansas, Inc |
| Bud Burke | Cosena |
| Jim May | Spiri AeroSystems |
| Kelli Dumas | KS Livestock Assoc |
| Dody Soudy | KS AFL-CIO |
| SEAN MILLER | CAPITOL STRATEGIES |
| JEFF CONWAY | DEPT. OF COMMERCE |
| Natalie Bright | KS STRM |

26 in att
+ Committee

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Thank you - MJC

BUSINESS AND LABOR COMMITTEE GUEST LIST

DATE: 2/16/10

| NAME | REPRESENTING |
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| Jen Bruning | OP Chamber |
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DEPARTMENT OF LABOR

Mark Parkinson, Governor
Jim Garner, Secretary

www.dol.ks.gov

MEMORANDUM

TO: Chairperson Wagle and Members of the Senate Business and Labor Committee
FR: Jim Garner, Secretary of Labor
DT: February 12, 2010
RE: Responses to questions asked on Feb 2, 2010

I appreciate the opportunity to respond to several of your questions on February 2, 2010. Please let me know if you have additional questions.

Information on other states

Included in this memorandum, under Appendix A, is information on how other states are responding to the depletion of their Unemployment Insurance Trust Fund. I have enclosed the results of a survey conducted by the National Association of State Workforce Agencies.

Transfer UI taxes from state to state

Employer accounts are not actually dollars in an account but rather accounting balances documenting the account history of each liable employer. It is a calculation of all the taxes paid in since the day the business began minus all benefits charged to the same identified employer. Each state is required to maintain an Account for each liable entity (employer) for the purpose of experience rating as required by FUTA. Thus, employers have accounts in many states. Kansas does, however, provide employers the opportunity to claim wages paid in other states for the same employee, in the calculation of excess wages (wages in excess of the taxable wage base). That means, if an employer has paid taxes on \$5,000 of wages in Missouri and moves that employee to Kansas, the employer receives credit for the taxes paid on the \$5,000 toward their annual limit of \$8,000. The employer does not have to start over paying towards the first \$8,000.

Projections on increasing the surcharge

Currently, the surcharge for negative balance employers is capped at 2.0%. Please see the attached document which charts the impact of adding 9 additional rate groups and increasing the maximum surcharge from 2.0% to 3.8%.

How interest on Trust Fund balance and loans are computed

The Bureau of Public Debt (BPD) invests in non-marketable Treasury issuances (certificates of indebtedness) available only to Federal trust funds. They have higher yields than Treasury issuances to the general public. The BPD calculates the interest daily by taking the average of all the rates of interest bearing securities with the exception of inflation securities such as Notes/Bonds and Inflation Securities Bonds.

Senate Business & Labor Committee
Date: February 16, 2010
Attachment 1

Effect of increasing taxable wage base and lowering tax rate on contribution payment schedule

The information below shows the effect of raising the wage base while at the same time lowering the tax rate, information requested by Sen. Emler. Salaries of \$1,000.00 and \$2,000.00 per month were used as a base. The QCEW wage figure was used in the last example.

The figures show, that lowering the tax rate, while increasing the wage base, does little to spread the tax payments over the entire year, except for the example with the lowest wage amount.

| | Wage Base | \$8,000.00 | \$9,000.00 | \$10,000.00 | \$11,000.00 | \$12,000.00 |
|---------------------------------|-------------|------------|------------|-------------|-------------|-------------|
| | Tax Rate | 5.40% | 4.80% | 4.32% | 3.93% | 3.60% |
| Monthly Salary of \$1,000.00 | 1st Qtr Tax | \$162.00 | \$144.00 | \$129.60 | \$117.90 | \$108.00 |
| | 2nd Qtr Tax | \$162.00 | \$144.00 | \$129.60 | \$117.90 | \$108.00 |
| | 3rd Qtr Tax | \$108.00 | \$144.00 | \$129.60 | \$117.90 | \$108.00 |
| | 4th Qtr Tax | \$0.00 | \$0.00 | \$43.20 | \$78.96 | \$108.00 |
| | Total Tax | \$432.00 | \$432.00 | \$432.00 | \$432.66 | \$432.00 |

| | Wage Base | \$8,000.00 | \$9,000.00 | \$10,000.00 | \$11,000.00 | \$12,000.00 |
|---------------------------------|-------------|------------|------------|-------------|-------------|-------------|
| | Tax Rate | 5.40% | 4.80% | 4.32% | 3.93% | 3.60% |
| Monthly Salary of \$2,000.00 | 1st Qtr Tax | \$324.00 | \$288.00 | \$259.20 | \$235.80 | \$216.00 |
| | 2nd Qtr Tax | \$108.00 | \$144.00 | \$172.80 | \$196.50 | \$216.00 |
| | 3rd Qtr Tax | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| | 4th Qtr Tax | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| | Total Tax | \$432.00 | \$432.00 | \$432.00 | \$432.30 | \$432.00 |

| | Wage Base | \$8,000.00 | \$9,000.00 | \$10,000.00 | \$11,000.00 | \$12,000.00 |
|--------------------------------|-------------|------------|------------|-------------|-------------|-------------|
| | Tax Rate | 5.40% | 4.80% | 4.32% | 3.93% | 3.60% |
| Monthly Salary of \$3111.00 | 1st Qtr Tax | \$432.00 | \$432.00 | \$403.19 | \$366.79 | \$335.99 |
| | 2nd Qtr Tax | \$0.00 | \$0.00 | \$28.81 | \$65.51 | \$96.01 |

| | | | | | | |
|-------------------|-------------|----------|----------|----------|----------|----------|
| QCEW Avg. wage | 3rd Qtr Tax | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| | 4th Qtr Tax | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| | Total Tax | \$432.00 | \$432.00 | \$432.00 | \$432.30 | \$432.00 |

Unemployment Insurance Trust Fund Balance Projections

Kansas

Methodology

Labor Market Information Services
Kansas Department of Labor

The forecast of data listed above was produced using the State Benefit Financing Model (BFM) developed by the U.S. Department of Labor. BFM was first developed in 1977. It has since been modified and expanded by the Division of Actuarial and Fiscal Services in the Office of Workforce Security of the U.S. Department of Labor. 1-4

The Benefit Financing Model is comprised of two separate programs. Program one, the Projection Program, projects specific Unemployment Insurance variables twelve years into the future. Section two, the Financial Forecast, forecasts the Unemployment Compensation Fund. The Projection Program forecasts twelve Unemployment Insurance variables on a quarterly basis starting from a base year, which is the most recently completed calendar year. All of these variables are forecasted by relying on their historical pattern by itself or with other variables.

The majority of the relationships established between variables are linear regressions which are run within the Model using the least square methodology. Based on these relationships, a series of standard equations will be developed for each State. Such equations will be measured against defined test standards before being acceptable for the Projection Program. The coefficients of these algebraic relationships will be used to forecast each of the quarterly UI variables.

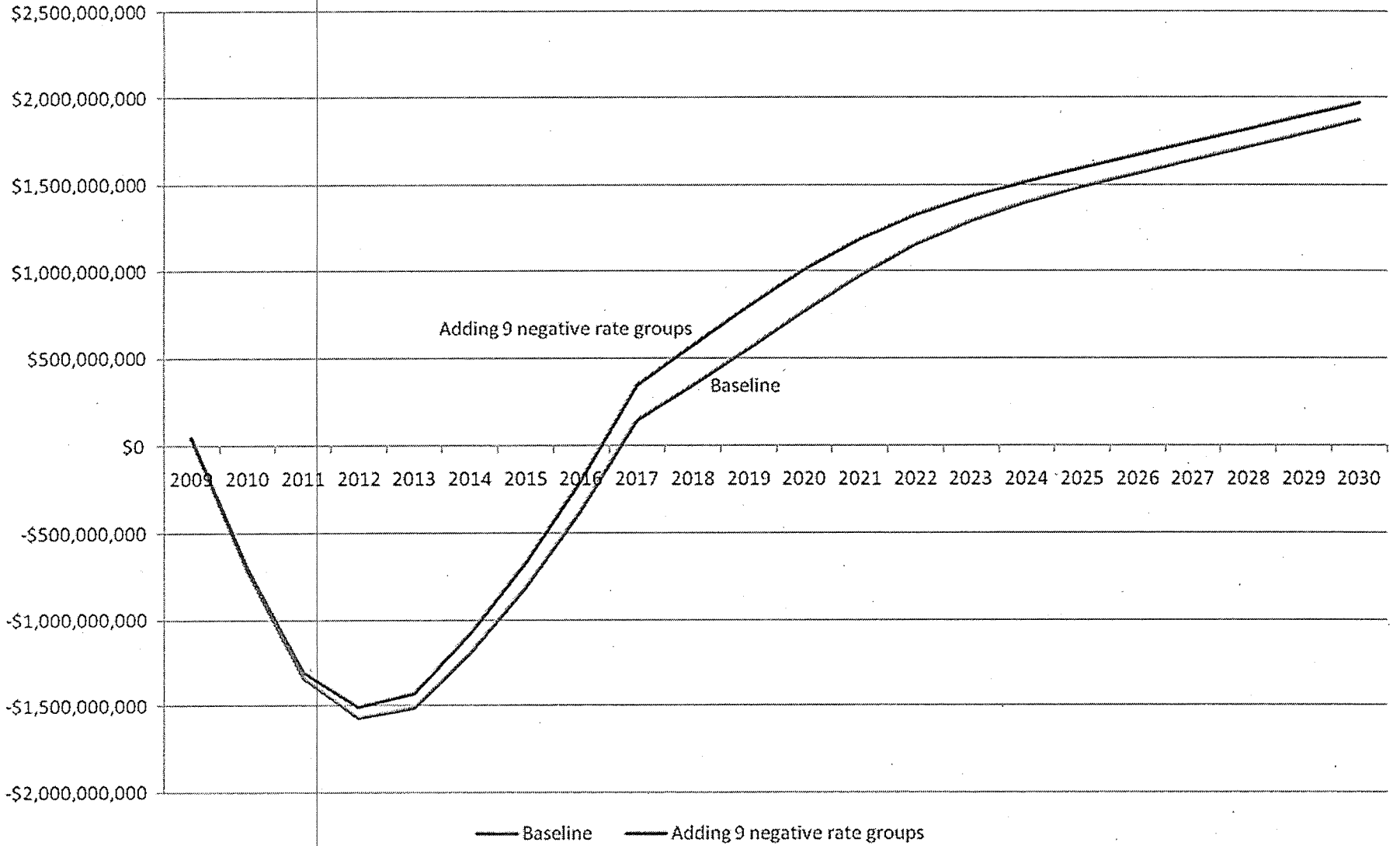
Since regression analysis is the basis for projecting a number of the Projection Program variables, it must be remembered that this technique presupposes that relationships, which have existed in the past, will continue to exist in the future. However, this may not always be the case, as the degree of the relationships may be changing over time, or may change abruptly if changes occur in the Unemployment Insurance program itself. The output from the Projection Program forms the input for the Financial Forecast Program.

The inputs in this model were annual growth rate of labor force, average weekly wage and insured unemployment rate. Labor force and average weekly wage growth rates were determined from historical paths. The insured unemployment rate was derived using a linear regression technique of U.S. total unemployment rate and Kansas insured unemployment rate. The projections of the U.S. unemployment rate were taken from the Congressional Budget Office (CBO) economic forecast as of August 25th 2009. As such these projections are subject to change as the CBO revises its estimates. In selecting the best predicting variable and linear regression model, statistical diagnostics such as adjusted R^2 were used.

For all the estimates listed below it was assumed that state triggered extended benefit will be triggered on from 2010 quarter 1 to 2011 quarter 4. According to the existing statute, the state is responsible for paying 50% of the extended benefits.

All projections from 2014 forward are based on constant average insured unemployment rate of 1.5%, long run annual average weekly wage growth rate of 3.8% and annual labor force growth of 0.6%. Please note that these projections are subject to revisions as national and statewide forecast continues to be revised as new data becomes available. Some of these revisions could be substantial.

Projected Trust Fund Balance (a comparison) Kansas - 2010 to 2030

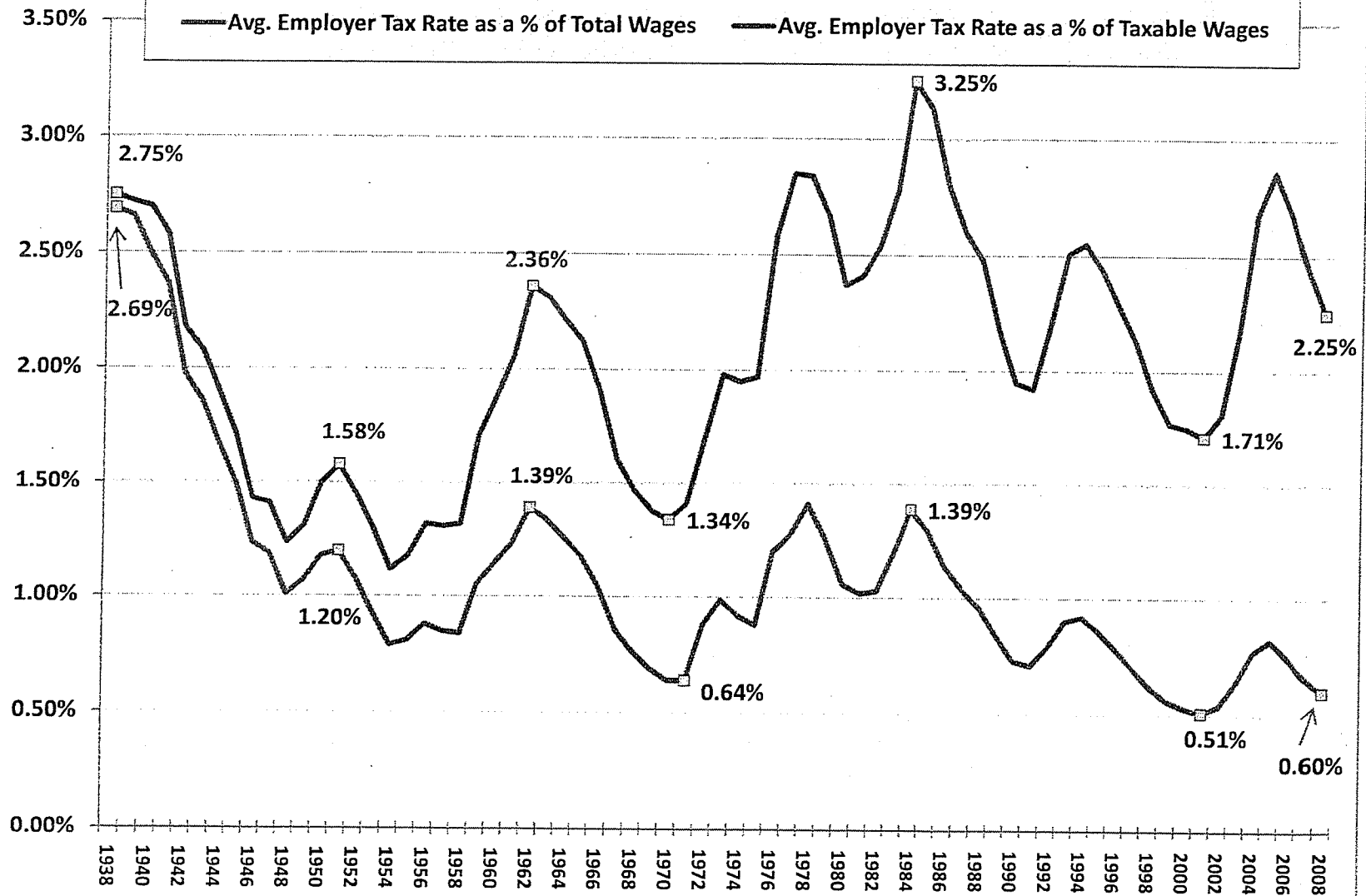


Executive Summary of NASWA Solvency Survey Results

- A recent survey administered by the National Association of State Workforce Agencies (NASWA) shows 35 states have increased their unemployment insurance (UI) taxes on employers in 2010. The survey was completed by all 50 states and Puerto Rico.
- A total of 24 states will increase their taxable wage base in 2010. Of these 24 states, seven states (AR, FL, IN, NH, TN, VT and WV) have enacted legislation to increase the state's "taxable wage base," the level of wages subject to a payroll tax on employers. The remaining 17 state programs (AK, HI, ID, IA, MN, MT, NV, NJ, NM, NC, ND, OK, OR, UT, VI, WA and WY) index their taxable wage bases to the state's average wages and will automatically increase their taxable wage bases for 2010.
- Of the 51 state programs surveyed, 28 states (AK, AL, AZ, CO, GA, HI, IA, ID, IL, KS, MA, MD, ME, MN, MT, ND, NE, NH, NJ, NY, OH, OR, PA, PR, VA, VT, WI and WY) indicated the tax schedule in their state will see an increase in 2010 compared to 2009. The majority of these increases will be automatic; adjustments often triggered by low levels of reserve funds in the state accounts used to finance unemployment benefits. While it is normal for states to recalculate tax rates each year, the magnitude of these rate increases for most states is unusual.
- In addition, ten states (CA, CT, DE, KY, MI, MO, NC, RI, SC and TN) indicated their tax rate schedules were already at the highest tier, which would prevent them from automatically increasing in 2010. Consequently, the state legislatures would need to enact changes in state laws – either increasing the tax rates by changing tax rate schedules or increasing the state taxable wage bases.
- Seven of the 51 state programs surveyed (AR, CA, CT, FL, HI, MA and SD) indicated they will automatically increase their tax rates due to a solvency tax already in state law. The majority of these solvency taxes also activate when states' trust fund balances fall below specified levels.
- Of the 51 state programs surveyed, 35 states estimated the level of UI tax revenue collected in 2010 would surpass the level collected in 2009; with a median projected increase of 27.5%. The range of these projected increases was 2.5% to 600%.
- While the percentage increases in UI taxes for some employers in 2010 is substantial, the average tax rate on total wages paid by employers is relatively low by historical standards. Since 1938, the average national UI tax rate on employers as a percent of total wages ranged from 0.5% to 2.7%, while the average national UI tax rate on employers as a percent of taxable wages has varied between 1.25% and 3.25%. The average national employer tax rate as a percent of total wages in 2008 was 0.6%. Among the states in 2008, the average state UI tax rate on employers as a percent of total wages ranged from .09% to 1.29%, while the average state UI tax rate on employers as a percent of taxable wages varied between .15% and 4.72%.
- State unemployment taxable wage bases have been relatively low compared to other social insurance programs. In 2010 state unemployment insurance taxable wage bases will range from \$7,000 in Arizona, California, Mississippi, Puerto Rico, and South Carolina to \$37,800 in Hawaii. In contrast, the taxable wage base under the social security old age, survivors and disability insurance program will be \$106,800 in 2010.

U.S. Total Average UI Employer Tax Rates as a Percent of Total Wages and Taxable Wages: 1938 - 2008

Source: USDOL, ETA Handbook 394



2008 UI Financial Handbook

| | Average Employer Tax Rate as a Percent of Total Wages | Average Employer Tax Rate as a % of Taxable Wages |
|----------------------|---|---|
| Alabama | 0.35 | 1.43 |
| Alaska | 1.29 | 2.12 |
| Arizona | 0.29 | 1.38 |
| Arkansas | 0.79 | 2.42 |
| California | 0.69 | 4.05 |
| Colorado | 0.43 | 1.65 |
| Connecticut | 0.69 | 2.63 |
| Delaware | 0.48 | 1.96 |
| District of Columbia | 0.31 | 2.03 |
| Florida | 0.3 | 1.37 |
| Georgia | 0.35 | 1.49 |
| Hawaii | 0.27 | 0.73 |
| Idaho | 0.53 | 0.77 |
| Illinois | 0.77 | 2.95 |
| Indiana | 0.58 | 2.67 |
| Iowa | 0.84 | 1.59 |
| Kansas | 0.47 | 1.42 |
| Kentucky | 0.71 | 2.82 |
| Louisiana | 0.31 | 1.42 |
| Maine | 0.57 | 1.58 |
| Maryland | 0.36 | 1.7 |
| Massachusetts | 0.97 | 3.37 |
| Michigan | 1.08 | 4.72 |
| Minnesota | 0.73 | 1.57 |
| Mississippi | 0.34 | 1.3 |
| Missouri | 0.68 | 2.19 |
| Montana | 0.64 | 0.98 |
| Nebraska | 0.38 | 1.38 |
| Nevada | 0.75 | 1.34 |
| New Hampshire | 0.25 | 1.23 |
| New Jersey | 0.88 | 2.01 |
| New Mexico | 0.49 | 0.97 |
| New York | 0.53 | 3.44 |
| North Carolina | 0.79 | 1.8 |
| North Dakota | 0.52 | 0.97 |
| Ohio | 0.63 | 2.56 |
| Oklahoma | 0.29 | 0.75 |
| Oregon | 1.02 | 1.69 |
| Pennsylvania | 0.97 | 4.67 |
| Puerto Rico | 1.02 | 3.18 |
| Rhode Island | 1.17 | 3.35 |
| South Carolina | 0.49 | 2.09 |
| South Dakota | 0.26 | 0.84 |
| Tennessee | 0.44 | 2.09 |
| Texas | 0.27 | 1.19 |
| Utah | 0.33 | 0.57 |
| Vermont | 0.73 | 2.92 |
| Virginia | 0.23 | 1.14 |
| Virgin Islands | 0.09 | 0.15 |
| Washington | 0.97 | 1.66 |
| West Virginia | 0.74 | 2.76 |
| Wisconsin | 0.74 | 2.6 |
| Wyoming | 0.61 | 1.27 |

Source: USDOL, ETA Financial Handbook (394 Handbook)

Cost for HB2676

Except that for calendar years 2010 and 2011, a contributing employer shall have the option to pay the 2010 adjusted tax rate or the 2010 original tax rate computation computed by the department of labor in accordance with K.S.A. 44-710a, and amendments thereto.

Assuming that all employers will pay the original tax rates the impact of this in terms of reductions in trust fund contributions will be as follows:

CY2010: \$43.4 million

CY2011: \$63.6 million

Assuming that these amounts will need to be borrowed from the federal government, the following are the interest cost assuming that the balance would carry over until 2017 when the UI Trust Fund is expected to pay off the trust fund loans if no changes in made to UI statutes.

| Interest Cost | | | |
|----------------------------|------|---|---|
| Interest Rate (%) | Year | Additional Amount Borrowed 2010 \$43,368,265 | Additional Amount Borrowed 2011 \$63,562,627 |
| 4.36 | 2010 | \$1,890,856 | \$0 |
| 3.91 | 2011 | \$1,695,699 | \$2,485,299 |
| 3.62 | 2012 | \$1,569,931 | \$2,300,967 |
| 3.6 | 2013 | \$1,561,258 | \$2,288,255 |
| 4.02 | 2014 | \$1,743,404 | \$2,555,218 |
| 4.41 | 2015 | \$1,912,540 | \$2,803,112 |
| 4.66 | 2016 | \$2,020,961 | \$2,962,018 |
| 4.8 | 2017 | \$2,081,677 | \$3,051,006 |
| Total Interest Cost | | \$14,476,327 | \$18,445,874 |

- (a) for each month or fraction of a month until the report or return is received by the secretary of labor *except that for calendar years 2010 and 2011 an employer or any officer or agent of the employer shall have up to 90 days past the due date to file a wage report or contribution without being charged a penalty or interest, however, when the 90 day period has passed, the provisions of this section shall apply.*

Assuming the cost of the 90 day waiver is the loss of interest that would otherwise would have been charged (4.36% in 2010 & 3.91% in 2011) the following are the cost estimates of loss of interest for CY2010 and CY2011.

| HB2676 | | |
|--------------|----------------------------|---|
| 2010 | | |
| Payment 2010 | Expected Quarterly Filings | 90 day waiver(loss of interest earned) |
| 1st Qtr. | 173,958,844 | \$ 1,896,151 |
| 2nd Qtr. | 105,557,616 | \$ 1,150,578 |
| 3rd Qtr. | 42,640,656 | \$ 464,783 |
| 4th Qtr. | 41,374,620 | \$ 450,983 |
| Total | | \$ 3,962,496 |

| HB2676 | | |
|--------------|----------------------------|---|
| 2011 | | |
| Payment 2011 | Expected Quarterly Filings | 90 day waiver(loss of interest earned) |
| 1st Qtr. | 179,464,574 | \$ 1,754,266 |
| 2nd Qtr. | 108,898,473 | \$ 1,064,483 |
| 3rd Qtr. | 43,990,216 | \$ 430,004 |
| 4th Qtr. | 42,684,110 | \$ 417,237 |
| Total | | \$ 3,665,990 |

*Senate Business & Labor Committee
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In addition to the above cost, those employers delaying their payment beyond the due date of January 31st will have FUTA credit reduction which will depend on the amount owed by each individual employer. The cost estimate of the loss of FUTA credit reduction is difficult to estimate and will depend on the amount an employer has paid throughout the year and the unpaid balance as of January 31st.

Total Cost Estimate for HB2676

Combining all elements of the HB2676 the following is the estimated total cost:

| | |
|--------------------------------------|---------------|
| 90 Waiver Loss of Interest | \$7,628,486 |
| Using Original rate in 2010 and 2011 | \$139,853,093 |
| <hr/> | <hr/> |
| Total | \$147,481,579 |
| <hr/> | <hr/> |

Legislative Testimony

SB 545

February 16, 2010

Senate Business and Labor

Rachelle Colombo, Senior Director of Legislative Affairs, The Kansas Chamber

achieve
MORE

Submitted on behalf of The Kansas Business Coalition on Unemployment Insurance: *The Kansas Chamber; National Federation of Independent Business; The Wichita Chamber; The Overland Park Chamber; Wichita Independent Business Association; Society of Human Resource Managers, Kansas; Protection One; Kansas Cooperative Council; Kansas Grain and Feed Association; Kansas Agribusiness Retailers Association; The Lenexa Chamber; Retail Grocers Association of Greater Kansas City; Kansas Food Dealers Association; Kansas Restaurant and Hospitality Association; Home Builders Association of Greater Kansas City; Adecco Staffing, Kansas; Americans for Prosperity; The Kansas Livestock Association; Amarr Garage Doors; Pittsburg Area Chamber; Associated General Contractors of Kansas; Topeka Independent Business Association*

Madame Chair, members of the committee, thank you for allowing me to provide testimony in support of SB 545 on behalf of the Kansas Business Coalition on Unemployment Insurance.

SB 545 delays implementation of benefit provision for workers in qualified training programs until January of 2011 as well as eliminating benefits for individuals who quit their job to relocate due to their spouse's employment. The bill also reinstates a non-compensable waiting week for each new unemployment benefit claim and repeals benefits for part-time work. Each of these measures were recently enacted when the employment security trust fund was believed to be stable and capable of expanding eligibility and benefit payout without significantly increasing employer contributions.

Since the passage of these measures, new information has become available and employers are now shouldering a historic tax increase to restore the fund's solvency even as benefits are expanding. Fully three-quarters of Kansas employers have paid more taxes into the fund than they have drawn down and yet fifty-six percent of them will pay the maximum tax rate under current law. Simply put, their best efforts to maintain employment and years of paying in to the fund were eclipsed by the massive draw down of benefits in 2009.

Kansas employers have kept our fund healthier than the twenty five states that bankrupted before us and yet have been burdened with the fifth largest unemployment tax increase in the country according to the National Association of State Workforce Agencies. Returning our fund to solvency is paramount and will be even more difficult if employers are forced to lay-off employees or implement hiring freezes to pay their unemployment tax bills.

Employers understand that the fund is broke and tax breaks are no longer in place, however they also believe benefits have been awarded too liberally and expanded beyond what the fund can bare without bankrupting business.

Our fund paid out more benefits in 2009 than any other time since its inception, yet the Kansas Department of Labor is projecting an even larger benefit payout in 2010. Clearly, our benefits exceed employer contribution capacity.

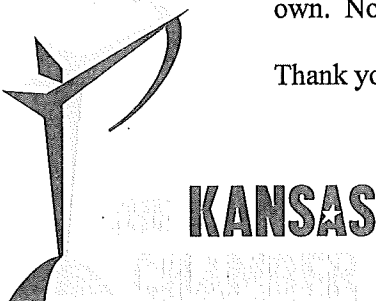
As unemployment continues to escalate we must protect our fund's primary purpose – partial wage replacement for individuals seeking to work but unemployed through no fault of their own. Now is the time to re-assess our level of benefits and eligibility parameters.

Thank you for the opportunity to offer these comments in support of SB 545.

Senate Business & Labor Committee

Date: February 16, 2010

Attachment 3





Kansas State Council
Society for Human Resource Management



Senate Committee on Business and Labor

Testimony in Favor of SB 454

By Natalie S. Bright

On behalf of the members of the Society of Human Resource Management, I would like to thank you for the amount of time and consideration this committee has committed to the issues confronting the Kansas Unemployment Compensation System. As you have heard from many KS SHRM members over the last few weeks, their top priority this session is to seek relief from the significant tax increases they received from their 2010 rate assessments. However, they also recognize that we must begin to explore how to replenish the trust fund and restore its viability. They believe that priorities need to be set and systemic changes must be implemented. Our members, like many other employers in the state, believe the solutions must come not only from increased taxes on employers, but also from a reformation of the current benefit structure in Kansas. Without both of these changes, the system will continue to be inequitable and over burdensome for employers.

As such, KS SHRM supports the changes set out in SB 454, which proposes to make the following changes to the Unemployment Insurance benefit structure:

- Delays implementation of benefit provision for workers in qualified training programs until January of 2011
- Eliminates benefits for individuals who quit their job to relocate due to their spouse's employment
- Reinstates a non-compensable waiting week for each new unemployment benefit claim and
- Repeals benefits for traditional part-time workers

While each of the measures above have been approved by prior Kansas Legislatures, we believe at this time of trust fund bankruptcy it is time to re-evaluate the necessity of these benefits. It is also important to note that each of these measures was enacted when the trust fund was reported stable and able to sustain the expansion of paying such benefits without significantly increasing employer contributions. Today, our fund is experiencing unprecedented claims for benefits and if we are going to return the fund solvency we must return our policy to paying for the core benefits that benefit the most unemployed Kansans.

Again, thank you for the opportunity to appear on this important issue.



President
Steve Rooney

Executive Secretary
Treasurer
Andy Sanchez

Executive Vice
President
Bruce Tunnell

Executive Board

*Jane Carter
Kurt Chaffee
Larry Horseman
Jim Keele
Larry Landwehr
Mark Love
Kevin McClain
Roger Maack
Mike Maloney
Chad Manspeaker
Lisa Ochs
Emil Ramirez
Clay Rodgers
Deb Shepard
Mark Shughart
Richard Taylor
Brian Threadgold
Jason Vellmer*

TESTIMONY

On Senate Bill 545

Senate Business and Labor Committee

Presented by Andy Sanchez, Executive Secretary-Treasurer
KS AFL-CIO

February 16, 2010

Thank you Madam Chair and members of the Committee. I appreciate the opportunity to share our opposition to SB 545. The bill appears to repeal changes in employment security law involving a number of provisions aimed at offering benefits to unemployed workers in training, part-time workers and those using the spousal benefit of relocation. SB 545 also appears to go further to accomplish what SB 529 does by freezing the maximum weekly benefit amount, a bill we already testified against. Finally, the bill seeks to further remove any hope from workers who have lost their job through no fault of their own

SB 545 would repeal recent changes to employment security laws that invested in Kansas' workers and which many of you gave due diligence in considering just a short time ago. Yet here we are, after just a short time hanging workers out to dry! A fledgling economy is no reason to abandon Kansans who want to go to work. In fact, this is the time when we should be seeking out ways to help keep a trained workforce intact so that when the economy turns around they are in a position to be productive and better the state.

Maintaining benefits gives way to a recovering economy. This is the wrong time to solicit employers about fraud and abuse. We already know that Kansas' unemployed workers drew unemployment benefits for a shorter period of time than the national average. During this recession, nationally, we have seen a record percentage of workers remain jobless after actively looking for work for more than six months.

One state survey (Washington State) showed that jobless workers spent most of their UI benefits to cover their mortgages and rent than anything else. That was 41% of their expenditures to remain in their home. Another 14% was used for transportation, 13% for food, 12% for loans and 6% for health care. To come out of this recession it will require two extremely important elements, consumer spending and consumer confidence. The hope is to avert a more serious downturn, but we must also protect Kansas' working families from losing any chance to return to work. Removing money from the economy is not the direction to go. Every dollar spent on benefits boost the Gross Domestic Product (GDP) by \$2.15. Sustaining a viable workforce is critical to how we come out of this recession. Thank you.

Senate Business & Labor Committee
Date: February 16, 2010
Attachment 5





DEPARTMENT OF LABOR

Mark Parkinson, Governor
Jim Garner, Secretary

www.dol.ks.gov

**Testimony in opposition to 2010 Senate Bill 545
To the
Senate Business and Labor Committee**

**By
Secretary Jim Garner
Kansas Department of Labor**

16 February 2010

Chairperson Wagle and Members of the Committee:

Thank you for giving me the opportunity to share with you the reasons for my opposition to 2010 Senate Bill 545.

I confess I'm a bit confused as to the meaning of Section One (pg 18). It appears to eliminate the provision allowing all claimants to participate in Workforce Investment Act (WIA) training programs while receiving unemployment benefits, effective for the remainder of this calendar year. If that's the case, it seems to me to be counter productive.

In Calendar Year 2009, nearly 2,600 claimants participated in "approved training" programs while obtaining benefits. The vast majority of these programs were under the Workforce Investment Act. The WIA training programs are administered by Department of Commerce regional workforce centers and are directed toward training individuals in skills needed for high demand occupations.

To be blunt, this change makes absolutely no sense to me. In this particular recession, where job growth is slow to recover—there are not a lot of new jobs being created—it only makes sense for idle workers to use this time between jobs to train and acquire new skills that employers will be looking for when recovery comes. This is a smart thing to do. Two years ago, the biggest concern in the labor market was having an adequate supply of trained workers. It doesn't make sense to institute policies that could perpetuate that situation.

Section Two repeals the long-standing policy that UI benefits are available to out-of-work individuals who seek part-time employment. As long as claimants meet the requirement of seeking work, as well as all other eligibility requirements, they can receive benefits. If claimants seek the same type of work they held previously, it does not matter whether the work is part-time or full time. This was codified last year to satisfy

a request by U.S. Department of Labor to qualify for Unemployment Insurance Recovery Act funds (\$69 million) last year. Clearly, the part-time work the claimants held previously provided sufficient wages to qualify them for unemployment benefits in the first place. It is important to note that only six states have a higher earnings threshold than Kansas to even qualify for unemployment benefits. In addition, this measure would discourage unemployed workers from seeking any employment available to them. As we come out of this recession, it is likely that many new jobs will initially be for part-time work until employers are more comfortable committing to full-time employment. By disqualifying folks from receiving benefits because they are seeking that part-time employment, we're encouraging those individuals to stay on unemployment longer than they might need to.

Section Two also purports to change the law regarding the waiting week. Under current law, claimants determined to be eligible for benefits will serve a one-week waiting period unless they are laid off because the employer closed operations due to bankruptcy, discontinued business in Kansas, or under circumstances subject to the federal worker adjustment and retraining notification act (WARN). Claimants who serve the waiting week and are unemployed and claim benefits for three consecutive weeks are then paid for their waiting week. This would repeal the change made in 2007 and eliminate the payment of the waiting week in the third week. The only claimants who would receive payment for the waiting week under this bill would be those who exhaust their 26 weeks of regular benefits. Currently the average duration of benefits is 16.6 weeks. In this time of sustained unemployment it is important that we get benefits to claimants when they need them. The artificial imposition of a waiting week is not good policy.

Section Three repeals the long standing policy that an individual who relocates with their spouse who is transferred in their job or accepts new employment, is eligible for unemployment benefits when they move to a location from which it is unreasonable to commute to their present employment. In this situation, the employer's UI tax account is not charged for these benefits. There were a little more than 470 claimants affected by this provision of law in 2009. This change would be especially hard on our military families. In this day and age when the majority of families require two incomes to get by, this is not a pro-family change.

At a time when the Legislature is working to reduce the current statutorily required taxes on employers, this bill seems incredibly one-sided. The message is that we must ease the burden on employers during these tough times, but it's okay to pile on to the burdens of the unemployed by actually taking help away from those who are without work due to this recession. In my view, this does not pass the fairness test.

Thank you, Madam Chairperson, for allowing me to share my concerns about this Bill.