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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

March 2, 2012

REVISED

The Honorable Anthony Brown, Chairperson
House Committee on Commerce and Economic Development
Statehouse, Room 151-S
Topeka, Kansas 66612

Dear Representative Brown:

SUBJECT: Revised Fiscal Note for HB 2638 by House Committee on Commerce and Economic Development

In accordance with KSA 75-3715a, the following revised fiscal note concerning HB 2638 is respectfully submitted to your committee.

HB 2638 makes a variety of amendments to the Employment Security Law and payment of unemployment insurance (UI) benefits.

1. Include all holiday pay in the definition of wages for the purpose of calculating a claimant's UI benefit whether the pay was conditioned on attendance on other regularly scheduled days or not;

2. Postpone a claimant's UI benefits for receipt of a single lump-sum amount for separation or severance pay, with the length of delay dependent on the amount of the payment;

3. Establish a 2.7 percent assessment rate applied only to new employers not in the construction industry not eligible for a rate contribution effective with rate year 2013;

4. Specify that for employers to be eligible for reduced rates for rate year 2013 and beyond, the average high cost multiple of the employment security trust fund balance must remain above 1.0 rather than 1.2 as of that year's computation date;

5. Establish a deadline when the Secretary of Labor must give notice to employers regarding their UI tax rate for the next year at November 15; and

6. Eliminate the Employment Security Advisory Council.

It was earlier reported that the Department of Labor had not yet provided a statement of the fiscal effect resulting from enactment of HB 2638, and that a revised fiscal note would be issued once this statement is forwarded. The agency had submitted the information, and it is now reflected in this revised fiscal note for the original bill.

According to the Department, changes in assessment rates would require the agency to reprogram the agency's mainframe system as well as its database, at an estimated cost of $8,236. Postponing a claimant's UI benefits for severance pay would delay benefit payouts with an indeterminate reduction in payments because a standard severance period does not exist and it is not known how many claimants would delay their job search during the severance period.

Changes in the assessment rates contained in HB 2638 would result in a net $4.2 million reduction to the UI Trust Fund in FY 2014. Modifications to the average high cost multiplier would, over the longer term, reduce revenues to the UI Trust Fund by $122.0 million. Any fiscal effect associated with HB 2638 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Kathie Sparks, Labor