

Testimony before House Commerce and Economic Development
House Bill 2124- Unemployment Insurance
Presented by Eric Stafford, Senior Director of Government Affairs



Wednesday, February 6, 2013

Mister Chairman and members of the committee:

My name is Eric Stafford. I am the Senior Director of Government Affairs for the Kansas Chamber. The Kansas Chamber appreciates the opportunity to testify in support of House Bill 2124.

Efforts taken over the last few years by the Kansas Legislature to address the Employment Security Trust Fund have been short-term solutions to weather the storm of the Great Recession. HB 2676 and SB 77 passed in 2010 and 2011 established statutory rate caps which expire at the end of 2014. The intent of these bills was to mitigate the impact of tax increases during tough economic times for employers, while raising money for the trust fund to provide supplemental income when an unemployed individual lost their job by no fault of their own.

HB 2124 is the result of efforts by our organization and the Kansas State Council of SHRM to gather input from our membership on areas where our UI system is in need of improvement. As our economy recovers the focus must shift to getting employees back to work. We must also be diligent in preventing fraud and abuse of the UI system. Last year alone, Kansas had \$37 million in unemployment insurance overpayments.

HB 2124 contains elements from last year's HB 2638 and SB 352 which did not pass the legislature, as well as several new items. These structural changes improve the integrity and consistency of the fund. I have included a summary of the bill with my testimony.

The changes made in HB 2124 make positive steps toward strengthening the integrity of the UI trust fund and we ask for your support. Thank you for the opportunity to speak in support of House Bill 2124 and I would be happy to answer any questions.



The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.

835 SW Topeka Blvd Topeka, KS 66612 785.357.6321 kansaschamber.org

House Commerce & Economic
Development Committee

Date: 2.7.13

Attachment #: 1

HB 2124 BILL SUMMARY

Section 1- Page 2, line 36- page 3, line 9: This language is being modified to include holiday pay under the definition of wages. Under existing law, especially in manufacturing, if a business is closed for the holidays to give employees PAID time at home with their families, those employees could collect a full paycheck AND partial unemployment benefits. This is blatant abuse of the system.

Section 1- Page 3, line 37-Page 4 line 11: This language modifies the law on how to interpret severance pay. In another inconsistency of our UI system, if an individual loses their job by no fault of their own and they receive severance pay over a period of time, they are not eligible for unemployment benefits until that severance pay expires. If that individual receives a lump-sum payment, they can file for unemployment the next day and start collecting after the waiting week, essentially "double dipping" on severance and benefits.

This new language would change the law to prevent the collection of benefits for individuals who receive severance or termination pay from their employer. The individual may become eligible for benefits after that severance expires.

Section 2- Page 4, lines 24-43: These provisions would lower the rate for new employers in the state, with the exception of the construction industry, from 4.0% to 2.7%. Kansas' new employer rate is one of the highest in the country. Lowering this rate will lower the tax burden for new businesses in the state which will help foster growth and investment. Most states keep the construction industry at a higher rate and the department of labor strongly encouraged that 6% rate to remain unchanged. This was an acceptable request.

Section 1- Page 4, lines 12-15: Language would adjust duration of benefits as the state's unemployment rate rises and falls. If the state's unemployment rate is less than 6%, 20 weeks of state benefits would be available. If the state unemployment rate rises over 6%, 26 weeks of benefits would be made available. Under today's law, no matter how strong or weak the economy, Kansas provides a static 26 weeks.

Across the country, states have modified their UI system to encourage reemployment, instead of long-term unemployment. This provision is included to restore the intent of the UI system- providing supplemental income in between jobs, not replacing income to avoid work. The Kansas economy is better off when more people are employed.

Section 2- Page 7-11: This language clarifies gross misconduct and misconduct provisions in statute. As mentioned during testimony on HB 2105, we would support deleting this language and using language provided in HB 2105.

HB 2124 BILL SUMMARY

Section 2- Page 12, lines 14 & 16: Increases penalty for individual who knowingly makes a false statement to obtain or increase benefits from one to two years.

Section 3- Page 17, lines 7-16: These provisions would lower the rate for new employers in the state, with the exception of the construction industry, from 4.0% to 2.7%. Kansas' new employer rate is one of the highest in the country. Lowering this rate will lower the tax burden for new businesses in the state which will help foster growth and investment. The department requested that we leave the new employer rate for the construction industry at 6%. This language accommodates that request.

Section 3- Page 26, lines 7-13: This new language changes what's called the high cost multiple from 1.2 to 1.0. This number provides an estimate to the length of time the current reserve in the trust fund can pay out benefits at a historically high payout rate. Last summer we received feedback from experts on the national level who informed us that there is no reason to have our rate higher than 1.0. All this does is build unnecessary reserves into the fund. At 1.2, Kansas was the highest in the country.

Section 4- Page 30, lines 20-21: This change simply requires the Secretary of Labor to notify employers by November 15 of their upcoming contribution rates. In prior years, there were instances where employers were not notified of their new contribution rates until the last week of December, making it impossible for employers to plan and budget accordingly. Having an extra six weeks of time is extremely helpful.

Section 5- Page 32 line 43-page 33 line 26: Deleting this language eliminates the Employment Security Advisory Council (ESAC). This committee is composed of business representatives, employee representatives and academia. ESAC would make recommendations on how to improve the UI trust fund but has not met for over two years. We simply feel this council is not effective and should be eliminated.