

February 6, 2013

The Honorable Marvin Kleeb, Chairperson
House Committee on Commerce, Labor and Economic Development
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Kleeb:

SUBJECT: Fiscal Note for HB 2124 by House Committee on Commerce, Labor and Economic Development

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2124 is respectfully submitted to your committee.

HB 2124 amends the Employment Security Act.

1. Provide equal treatment to vacation and holiday pay when calculating unemployment benefits.
2. Deduct from unemployment benefits the amount of severance pay a claimant receives at the time of separation in that benefit year.
3. Change the maximum benefit payout according to the state's unemployment rate. When the state's unemployment rate is less than 6.0 percent, claimants would be eligible to a maximum of 20 weeks of benefits. When greater than 6.0 percent, benefits could be received up to a maximum of 26 weeks.
4. Clarify the definition of misconduct in the disqualification statute, and extend the period of disqualification for fraudulent unemployment benefit claims from one year to two years.
5. Reduce the amount a new business not in the construction industry would pay starting in 2014 from 4.0 percent to 2.7 percent of wages paid in the calendar year.
6. Reduce the average high cost multiple on the Employment Security Trust Fund Balance from 1.2 to 1.0. This change reduces the mandated reserve held in the Fund.
7. Clarify the Secretary of Labor must notify contributing employers of their rate of contributions on or before November 15 of the preceding calendar year.
8. Eliminate the Employment Security Advisory Council.

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The Department of Labor indicates that the bill would affect revenues to the Employment Security Fund in several ways. First, reducing the maximum duration of unemployment benefits from 26 weeks to 20 weeks would reduce benefit payouts. In 2012 there were 18,870 beneficiaries who received benefits over 20 weeks at a total cost of \$31.6 million. Their average weekly benefit was \$340, but not everyone received that amount for the full 26 weeks. Changing this maximum would require programming changes to the computer system used to track unemployment benefits. Presumably this would be absorbed by current staff and resource levels.

Based on 2013 data, reducing the new employer contribution rate would reduce the amount of tax collected from new employers in non-construction industries by approximately \$4.93 million. As the economy continues to improve and new employers begin hiring, that amount would increase. According to the Department, the difference will need to be collected from positive balance employers.

Changing the average high cost multiple, will reduce the trust fund reserve requirement from \$586 million to \$488 million. No savings are estimated on eliminating the Employment Security Advisory Council. Any fiscal effect associated with HB 2124 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Dawn Palmberg, Labor