



**KANSAS STATE COUNCIL
SOCIETY FOR HUMAN RESOURCE MANAGEMENT**



Testimony in Favor of HB 2261

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Chairman Hutton and honorable committee members,

I am Natalie Bright, governmental affairs consultant for Kansas Society for Human Resource Management (KS SHRM). For those unfamiliar with KS SHRM, it is an organization comprised of over 2,300 human resource (HR) professionals in Kansas. Our members serve public and private sectors as well as large and small businesses. The focus of the HR professional is to facilitate between the employer and employee so that a safe and productive work environment is reached. On a daily basis our members are on the front line working to administer and control unemployment insurance for their employers and employees.

Thank you for the opportunity to appear in favor of HB 2261. This bill is the product of KS SHRM working with our members, other business associations, the Kansas Department of Labor (KDOL) and Kansas Legislators to restore the trust fund balance, eliminate fraud and abuse, and bring more predictability on how employers are taxed. Over the last several years, great reforms have been realized and HB 2261 represents the final change sought—shifting the employer tax methodology from an arrayed to a fixed system, which is based on an employer's experience rating reflective of the employer's usage of the system.

When the fund went bankrupt several years back, employers were faced with paying significant UI assessments. With the swift action of Kansas legislators the financially devastating employer assessments were held down with artificial caps through 2014. While the caps provided employers with temporary relief, the funds bankruptcy, under our arrayed system, essentially wiped away employers' experience ratings and forced compression of the rates. In essence, employers who have never had a benefit drawn on their account continued to see significant rate increases. In addition, an amount assessed against an employer would often vary greatly year to year.

In an attempt to restore experience ratings, decompress rates and bring predictability to the system, Kansas business advocates supported the KDOL recommendation to increase in the taxable wage base. After much discussion and lobbying, we ended up with a phase-in from

\$12,000 in 2015 to \$14,000 in 2016. The primary goal of the wage increase was to shift responsibility on the negatively balanced employers (those who historically draw more in benefits than they pay in taxes.) This increase in the taxable wage base was an important step in restoring fairness and regaining a more predictable experience rating. However, it was not the final step needed to bring predictability to employers' tax rates.

The final component of our work group's goal is the passage of HB 2261, which replaces the current arrayed methodology (where experiences are spread across all employers), to a fixed rating system (where tax is based on employer's individual experience.) The arrayed has led to positively balanced employers—those who have paid more in the system than what they have drawn—to pay for the negatively balanced employers—those who have drawn more than what they have paid into the fund. The greatest complaints have come from positively balanced employers whose contribution rates significantly jumped while the negatively balanced employers did not see large increases. Adoption of HB 2261 bases tax rates more fairly by putting more onerous on those employers who use the system more.

In addition, KS SHRM also endorses the provision in HB 2261 that caps the weekly wage by removing the CPI. In an effort to control the taxes assessed in the UI system, it is imperative to also control the benefits paid. By removing the automatic CPI, Kansas legislators can review both the needs to increase benefits and taxes simultaneously. If the CPI is not removed, legislators essentially are authorizing an automatic annual tax increase on Kansas employers.

In conclusion, KS SHRM and our work group partners urge passage of HB 2261. We believe passage of this bill will put into place the final reforms needed to adequately fund benefits without overtaxing Kansas employers. Thank you for the opportunity to present testimony in favor of Senate Bill 154. I am happy to stand for any questions.