



**Senate Committee on Commerce
Testimony in Support of Senate Bill 177
Presented by Eric Stafford, Vice President of Government Affairs, Kansas Chamber**

Tuesday, February 16, 2021

Mister Chairman and members of the committee, my name is Eric Stafford, Vice President of Government Affairs for the Kansas Chamber. The Kansas Chamber represents small, medium and large businesses of all industry segments across the state. We appreciate the opportunity to testify in support of Senate Bill 177, which makes changes to the state's unemployment insurance system.

This committee has heard testimony on the issues surrounding the state's unemployment insurance system. Senate Bill 177 is a bill brought forward thanks to the work of the UI experts in the state. This bill has many components which we can go through but all are important.

Modernization Council

SB 177 proposes a new 11-member modernization and improvement council, designed to provide input on the modernization of the department of labor's unemployment insurance IT system. You have heard testimony on the problems over the last 12 months, largely caused by an outdated computer system. Failure to properly update this system has led to significant fraud and abuse within the system. SB 177 establishes a deadline of December 31, 2022 for the new system to be designed and implemented.

SB 177 also establishes a new requirement that the Secretary of Labor post certain trust fund data on a public website.

Duration of Benefits

Until 2013, claimant benefits were a static 26 weeks whether we were in a healthy economy or a recession. In 2013, the duration of benefit eligibility was modified to reflect the economy. The higher the unemployment rate, the longer the benefits. Under a healthy economy, benefits are shortened since under full employment it is easier to find work.

Currently, if the state's unemployment rate is below 4.5%, claimants are eligible for 16 weeks of benefits. If the rate is between 4.6-6%, eligibility increases to 20 weeks, and over 6%, 26 weeks. SB 177 proposes to reflect the federal definition of full employment, modifying the lower range of 16 weeks to less than 5% rather than less than 4.5%.

COVID Claim Immunity

SB 177 contains provisions like HB 2195 to protect employers from claims against their account in two circumstances. The first is any claim charged under their account dating back to March of last year through December of 2021.

The second is similar to SB 177 dealing with protection of employer accounts and for the trust fund for fraudulent claims experienced over the past year. This provision is important for the employer community. We have done our due diligence and paid taxes. Unfortunately, those funds were not properly managed and protected against fraud as you've heard over the last few weeks. We believe it should not be the employer community's responsibility to pay back fraud-related claims and the state should bear that responsibility.

Rate Table Adjustments

As of January 2020, the UI trust fund had \$1.2 billion in reserves. Because of the pandemic, the trust fund has dropped below \$200 million today. This committee has heard testimony on the looming tax increase on Kansas employers in order to get the fund back to a solvent level. Employers understand that a tax increase is necessary to restore the health of the trust fund. However, due to structural limitations in the rate tables, employers will disproportionately pay back the fund.

We've shared how UI *should* operate like auto insurance, where the healthier the record of the employer's history, the lower UI premiums (taxes) they should pay. Because of the rapid decline of the fund, we've seen that the existing rate tables do not properly address or promote rate parity. SB 177 proposes new rate tables to spread the restoration of the trust fund more evenly across the employer community as they face tax increases in 2022.

SB 177 is a bill that was drafted with thoughtful consideration for the future of the trust fund to ensure there are adequate funds available for individuals who lose their job by no fault of their own, without overburdening Kansas employers with excessive and unfair disparity in their UI tax liability. Thank you for the opportunity to testify in support of Senate Bill 177 and I'm happy to answer questions at the appropriate time.