



TO: SENATE COMMERCE COMMITTEE
DATE: February 17, 2021
FROM: Andy Sanchez, Executive Secretary-Treasurer, KS AFL-CIO
RE: Testimony Written in Opposition to SB 177

Chairman Olson and Members of the Committee:

Thank you for this opportunity to share our views on Senate Bill 177. While there appears to be some positive elements in the bill, we've heard concerns and opposition from some of our affiliates and cannot be a proponent of the bill. The Kansas AFL-CIO represents over 275 Unions across the state comprised of manufacturing, building construction and other sectors. The Kansas Unemployment Compensation system plays a critical role in keeping the skills and talents of workers here in the state. Moreover, the UI can sustain our economy in times of strife just like we currently find ourselves in.

SB 177 is a carbon copy of HB 2196, a bill that initially garnered our support because of the formation of an oversight committee and making more information accessible to stakeholders including the public. After more thought, in New Section 1 of the first couple of pages the formation of the Unemployment Compensation Modernization and Improvement Council looks to be just too "political" for the work ahead. A bit of history: We had a lot of favor for an Advisory Council known as the Employment Security Advisory Council (ESAC) that was abolished in 2012. The council allowed for equal representatives, three from Business, three from Labor and three academia representatives (economic professors) from our State's universities. Such a group could have done great things here in our current plight.

New Section 2 beginning on page 5 lines out specific component as it relates to the information technology system. This could be problematic and cause delays since it is put in statute and any deviation could cause more hoops to jump through for modifications chosen by the experts contracted out to do the job.

Also in SB 177 is language that reduces the maximum number of weeks of eligibility for UI benefits (Section 6 (L), page 33. This serves no purpose except to hurt people when they need help the most. Currently 26 weeks is the standard approved by this legislative body. We favor continuing this provision and not "sunsetting" the measure, because again, people need help right now. The federal government has said as much, providing numerous extension programs.

Twenty-six weeks should be made permanent so that when people lose their job through no fault of their own, the safety net of Unemployment Insurance (UI) will keep dollars circulating through the local economy to help businesses and keep talent and expertise here in the state. Further, we oppose the measure to build back in a waiting-week for claimants for the same reasons.

We don't see any problems with the Shared Work Program; however, the terminology change from Shared Work Program to Short-Time Compensation could cause some to not recognize it as a resource and hamper participation. Our researchers also say that they are not aware of any other states going in such a direction. On page 67 of the bill, negative balance employers are limited with only one submittal of a plan approval in a five-year period, and only during an announced recession. This seems punitive to a company just trying to avoid layoff, which is the end game everybody is after with shared work programs. A promotional campaign and changing the hours reduction range from 20-40% to 10-50% is a positive. Federal Law allows states to approve reductions up to 60%.

The Kansas AFL-CIO cannot support language that results in reductions of contributions to the UI Trust Fund. SB 177 seeks to do just that with changes to how the Average High-Cost Multiple is calculated. We have heard how the current pandemic prompted this recession and previous recessions were described as "100-year flood" scenarios. We should be mindful that such disasters in the economy are bound to happen and it is safer to be ready than not. Thus, we cannot support cutbacks to the UI trust fund.

Finally, we know that there is a large price tag for the upgrading project of our UI System provided in the Fiscal Note accompanying the bill. In truth, we may learn that it could cost more, and I think we should prepare for that. What we do know, perhaps in this building better than anywhere else, is that by deferring costs earlier to upgrade and maintain our system that it would cost more later in the long run. Goals of timelines and objectives are always good to have but taking on this mammoth of a project will require steps or phases. I say this because we have new leadership at KDOL, and we believe we have to let the Secretary and agency be given the time to get the work done. Implementation doesn't always yield immediate results. But in fact, we do see incredible progress in the amount averted with Fraudulent claims. We just believe we need to let the department do the work and be given time to share the results of their new tools. We must oppose SB 177 based on the concerns highlighted above. Let's not tie the hands of the experts with too much reporting and diverting of resources (KDOL manpower). Thank you.