

Testimony before House Commerce and Economic Development
House Bill 2638- Unemployment Insurance
Presented by Eric Stafford, Senior Director of Government Affairs



Thursday, February 16, 2012

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 2638, which makes what we consider to be “structural changes” to the Unemployment Insurance (UI) Trust Fund focusing on consistency and integrity of the fund. Over the last three years, the legislature has passed multiple bills addressing unemployment insurance (HB 2676, SB 77) which froze contribution rates for employers who were experiencing in some cases 400% increases in their contribution rates.

HB 2638 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. Over the next few paragraphs we will outline the bill and the reason behind the proposed changes.

Section 1- Page 2, lines 37-40: This language is being modified to include holiday pay under the definition of wages. Under existing law, especially in manufacturing, if the plant 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 36-Page 4 line 3: 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 address “lump-sum” severance pay to allocate payment over a number of weeks. For example, if an employee receives a severance package equal to 2 month’s salary, they would not be eligible for unemployment for 8 weeks.



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.

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 2- Page 12, lines 33-40: 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. This summer we received feedback from several 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 3- Page 17, lines 3-4: 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 and Secretary Brownlee and her staff made this a focus last year.

Section 4- Page 19 line 26-page 20 line 9: 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. We simply feel this council is not effective and should be eliminated.

In closing, we feel these changes will go a long way toward improving the integrity of the Kansas UI trust fund as our state begins to experience economic recovery. Thank you for the opportunity to speak in support of House Bill 2638 and I would be happy to answer any questions.