



Kansas State Council
Society for Human Resource Management
(KS-SHRM)



Testimony in Favor of HB 2638

Natalie Bright

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Chairman Brown and honorable Committee members,

I am Natalie Bright appearing in support of HB 2638 on behalf of my client the Kansas Society for Human Resource Management. Our members support the provisions of HB 2638 because we believe it begins to address some of the concerns our members.

Prior to 2009, the Kansas Unemployment Trust Fund was recognized as one of the premiere funds in the nation. Its balance remained consistently high and the state of Kansas was not in a borrowing state. However, as you will recall, in 2010 our UI Trust Fund quickly began to dwindle as the Kansas economy turned downward and a record number of Kansas workers began drawing benefits. Suddenly, our once flush trust fund was depleted. Before any action could be done to stop it, the fund went bankrupt.

Today, the fund is still in and out of a borrowing state, but with the assistance of the new Sect. of Labor, it is stabilized and efforts are to begin to replenish the fund. While most of the burden of replenishing the fund lies with Kansas employers, we do believe there are system changes, which can be implemented, which will assist in replenishing the trust fund.

Specifically, the bill will address two misuses of the fund which Kansas employers would like addressed. The first will recognize holiday pay as wages and not allow UI benefits concurrently. Secondly, it would require lump sum severance pay to be averaged out over the number of weeks equal to the claimant's base pay thus prohibiting UI claimants from collecting benefits until the severance has been used as if it was paid out weekly. Stopping "double dipping" practices within the Kansas UI system will contribute to shoring up the balance of the trust fund and reserve dollars for those the system is intended to assist.

In addition, the bill proposes to make the Kansas Unemployment system more competitive with our surrounding states by lowering new employer rates from 4% to 2.7%, except for

construction which is competitively set at 6.00%. In addition, the bill will lower the high cost multiple (HCM) from 1.2 to 1.0. This change will reduce the required contributions which factors into the formula determining the amount of contributions the fund must receive to be considered "solvent." The higher 1.2 HCM requires unnecessary reserves be contributed into the fund. In these tough economic times, competitiveness can be a useful tool to attract business to Kansas. In addition, lower rates mean more dollars being invested in the Kansas economy.

Administratively, HB 2638 requires the KS Secretary of Labor notify employers annually by November 15th of their upcoming UI assessment rate. This deadline affords KDOL ample time to produce the notices while giving employers the necessary notice to budget for their assigned contribution rates. No longer will employers be notified of their new rates just days before they become effective.

Finally, the bill proposes to eliminate the Employment Security Advisory Council (ESAC), which has not met in over a year and has contributed little to reforming the UI trust fund. Originally created to serve as an advisory council to the Sect. of Labor and the Legislature, has become irrelevant and unnecessary.

Rebuilding the UI trust fund is not going to be inexpensive and it is going to take more than just employer contributions to reform the system. HB 2638 is a step in the right direction. Thank you for the opportunity to appear before you. I would be happy to stand for questions.