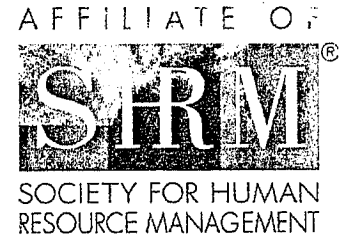




KANSAS STATE COUNCIL
SOCIETY FOR HUMAN RESOURCE MANAGEMENT



House Commerce Committee
February 6, 2013
Testimony in Favor of HB 2124
By Natalie S. Bright

As the Kansas Legislature begins the 2013 session, many employers across the state are still burdened by significant Unemployment Insurance costs. Below is a brief update on the employer-funded UI Trust Fund.

Trust Fund Balance

\$660 million- 2008
\$566 million- January 2009
\$349 million- September 2009
\$2.4 million- January 2013

Economic Data

5.3%-Unemployment Rate (as of Dec. 2012)
\$300.8 Million –Borrowed from Feds (paid in full to date)
\$40 million-Borrowed from State PMIB (Outstanding)
\$90 million increase in UI assessment to employers in 2014

In 2009, as our UI fund dwindled with the economic downturn, the Department of Labor did little to address the rapidly decreasing trust fund balance. The fund was insolvent in 2010. Instead of taking a proactive approach to reasonably increase employer contribution rates, employers faced insurmountable rate increases, some paying 700%-1,700% more than the previous year.

In 2010, the legislature passed HB 2676 which offered flexibility for employers in their contribution rates and waived penalties and interest as long as payments were made in full by the end of 2010. HB 2676 also capped tax rates for two years to help employers plan for UI rate increases in 2011.

In 2011, SB 77 passed the Kansas legislature. SB 77 extended the rate caps established in HB 2676 through 2014, created 10 new negative balance rate groups and assessed up to an additional 2% surcharge on these 10 groups for a maximum rate of 9.4%. Upon the sunset of HB 2676 and SB 77, **rate/contribution increases totaling around \$90 million are set to kick in if nothing is done to restructure the existing system.**

While the legislature has taken action to help the UI trust fund over the past few years, we must not lose sight of the fact that these changes were mere 'plugs in the dam' and not long-term solutions to the structural deficiencies with the fund. We have a long way to go before the Kansas UI fund is updated and modernized.

In an effort to address the concerns of Kansas employers and assist with equitably replenishing the UI Fund, KS-SHRM along with other Kansas employers requested introduction of HB 2124, which seeks to:

Reduce Employer Taxes:

- Reduce the HCM in the statute from 1.2 to 1.0
- Reduce new employer rate from 4.0% to 2.7% with the exception of const

House Commerce & Economic
Development Committee

Date: 2.7.13

Attachment #: 2

Reduce Benefits:

- Benefit duration will adjust based on the state's unemployment rate.
 - If state unemployment rate falls below 6%, benefits reduced to 20 weeks.
 - If state unemployment rate rises above 6%, benefits extended to 26 weeks.
 - Holiday/Vacation pay (2012 legislative item)
- Severance pay (2012 legislative item)

Administration:

- Expand notification timeframe requirements by KDOL to ERs by November 15 (2012 legislative item)
- Eliminate ESAC (2012 legislative item)
- Require KS Secretary of Labor to attend and report to the Legislative Coordinating Council (LCC) regarding status of KS Unemployment Security Trust Fund
- Clarify and enforce benefit disqualifications based on "misconduct" and "gross misconduct"

In addition, KS SHRM is also working with KDOL to determine if there are additional systemic changes that should be made. They include:

- Migrating away from the "Arrayed Methodology" to a "Fixed Methodology with a solvency surcharge" which would provide rated employers with predictability and reinforce earned experience ratings; and/or
- Increase the taxable wage for KS employers which would shift a larger portion of employer contributions to the negative balanced employers.

Unfortunately at this time, KS SHRM is not able to offer either of these amendments because we are still awaiting analysis by KDOL to determine what impact these changes might have on the UI Fund. We hope to address these issues with the committee at a later time.

Thank you for the opportunity to testify in favor of the Kansas employers UI reform measure, HB 2124. KS SHRM and our over 2,300 members look forward to working with you to address the issues facing Kansas employers in the UI arena. I will stand for questions at the appropriate time.