

SESSION OF 2014

SUPPLEMENTAL NOTE ON SENATE BILL NO. 372

As Amended by Senate Committee on
Commerce

Brief*

SB 372, as amended, would revise provisions of employment security law, commonly referred to as Unemployment Insurance (UI), pertaining to the Shared Work Unemployment Compensation Program.

The voluntary Program is a means by which an employer may reduce the number of hours worked by employees without having to lay off workers. Affected employees receive a *pro rata* share of regular UI benefits equal to the percentage of hours for which employees' work was reduced. Under current law, the Secretary of Labor may approve a shared work plan proposed by an employer when eight conditions are met:

- The specific work unit of full-time employees to be affected by the reduced hours of work is identified;
- The individual employees within the work unit are identified by name and Social Security number;
- The number of hours of work and the amount of wages paid, on a weekly basis, have been reduced by at least 20 percent, but by no more than 40 percent;
- The shared work plan applies to at least 10 percent of the employees in the affected work unit;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- The shared work plan addresses how fringe benefits will be affected;
- The employer certifies that the implementation of the shared work plan would prevent temporary layoffs;
- The employer has filed all UI reports and is current in all contributions owed; and
- The employer is eligible for a positive rate contribution and is not a negative account employer.

The bill would revise three of the above requirements. Shared work plans would cover regular part-time employees in addition to full-time employees. Employers would certify that health and retirement benefits will continue either under the same terms and conditions as though the employees' work had not been reduced or to the same extent as other employees not participating in the Shared Work program will be affected. Averted layoffs would not be required to be temporary.

The bill also would add three additional requirements of shared work plans:

- Eligible employees could participate in training, including training funded by the federal Workforce Investment Act;
- The employer would give advance notice to affected employees as to an estimate of the number of layoffs that would have occurred absent participation in the Shared Work Program; and
- The shared work plan and the implementation of the plan would be consistent with federal and state law.

Finally, the bill would repeal the prohibition placed upon receiving Shared Work benefits if an employee works more hours than initially estimated in the shared work plan; the allowable range for reduced work hours, a reduction between 20 percent to 40 percent, would remain in effect.

Background

According to testimony before the Senate Committee on Commerce provided by a representative of the Department of Labor in support of the bill, the Shared Work Program within the UI System is not mandated by the federal government but, if created, the Program must conform with the Federal Unemployment Tax Act (FUTA), which was amended by the Middle Class Tax Relief and Job Creation Act of 2012. The Department representative stated the bill would conform the Shared Work Program to new federal requirements. The State would be eligible to receive reimbursement for Shared Work benefits paid out, retroactively, from February 22, 2012, and through August 23, 2015.

There was no neutral or opponent testimony.

The Senate Committee on Commerce made a technical amendment to the bill.

According to the fiscal note prepared by the Division of the Budget, in consultation with the Department of Labor, the bill would have no fiscal effect.