Approved: March 7, 2000

Date

MINUTES OF THE HOUSE BUSINESS, COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairperson Al Lane at 9:07 a.m. on February 16, 2000 in Room 521-S of the Capitol.

All members were present except: Rep. Jerry Henry - excused

Rep. Mike O'Neal - excused

Committee staff present: Bob Nugent, Revisor of Statutes

Jerry Donaldson, Legislative Research Department Dennis Hodgins, Legislative Research Department

Bev Adams, Committee Secretary

Conferees appearing before the committee: Bill Maness, Oasis Outsourcing, Wichita

Byron McCurdy, NAPEO

John Thomas, Heart of American Staffing Services Assn.

Patti Bossert, Key Staffing

Others attending: See attached list

A motion was made by Rep. Beggs to accept the minutes of February 9 and 10 as written. It was seconded by Rep. Grant. The motion passed and the minutes were approved as written.

Hearing on: HB 2812 - Regulation of professional employer organizations

Bob Nugent, Revisor of Statutes, gave an overview of the bill to the committee. He went through the bill section by section explaining it to the committee. The bill's intent is to define the relationship between professional employer organizations (PEO), sometimes known as staff leasing companies, and the employers with whom they work. It would create minimum standards applicable to all PEOs. The bill includes definitions and exceptions to the provisions' requirements. It would require that each PEO have a written contract between the client and the PEO explaining the responsibilities and duties of each party. The bill also outlines what the contract must contain, including a description of the services to be rendered by the PEO and the responsibilities the organization must assume. Examples of such responsibilities include paying unemployment taxes and providing workers compensation coverage for the organizations' clients.

Bill Maness, Oasis Outsourcing, Wichita, appeared before the committee as a proponent of the bill. As a Professional Employer Advisor, he represents a new and rapidly expanding industry that has proven to be extremely beneficial to small and mid-sized businesses and their employees in Kansas and other states across the nation. A PEO works with small business owners to provide comprehensive human resource services through a co-employment arrangement. By the use of co-employment, the small business person can relieve themselves of the management of payroll, tax reporting and payment, worker's compensation coverage, employee benefits (including health, dental, life and short or long term disability) and human resource assistance. They ask for the passage of the bill to clarify state law to provide the PEO industry with the recognition it needs to operate in Kansas in an efficient and effective manner. He ended his testimony by answering questions from the committee. (Attachment 1)

Byron McCurdy, National Association of Professional Employer Organizations (NAPEO), appeared as a proponent of HB 2812. NAPEO represents over 600 member firms who are found in all 50 states and employ the vast majority of work-site employees in PEO arrangements. A PEO contracts with businesses to provide an integrated and cost effective approach to the management and administration of the human resources and employer risks of the business. Early misunderstandings of the industry caused some in regulatory agencies to set up rules and regulations that make it difficult for a PEO to operate and do absolutely nothing to protect employees, businesses and the agencies charged with regulating the industry and protecting the public. Two problems that make it hard to do business in Kansas is the requirement that every PEO client file a separate unemployment tax return and the rule that

CONTINUATION SHEET

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does not allow PEOs to employ the owner of a business. The bill would resolve these problems, appropriately recognize PEOs as an employer in this state and clarify how they interact with other agencies, insurance regulators and taxing entities. He concluded his testimony by answering many questions from the committee. (Attachment 2)

John Thomas, representing Heart of America Staffing Services Association, appeared as a neutral on the bill. They believe the PEO should be defined narrowly so as to apply only to true PEO arrangements, not temporary help or other non-PEO services. The American Staffing Association and the Heart of America Staffing Services Association recommend that the bill be amended and his testimony contains a balloon with these amendments. He talked with Byron McCurdy before the hearing and they agreed with the changes. (Attachment 3)

Patti Bossert, Key Staffing, testified as an opponent of the bill. She believes that the basic difference between PEOs and staffing firms is not defined in **HB 2812**. She recommends that the bill be amended to closely define a PEO to prevent overly broad legislation that may affect the temporary staffing industry. Attached to her testimony are two pages that define the difference between temporary staffing services and a PEO arrangement. (<u>Attachment 4</u>)

No others were present to testify for or against the bill and Chairman Lane closed the hearing on HB 2812.

Chairman Lane adjourned the meeting at 10:15 a.m. The next meeting is scheduled for February 17, 2000.