Approved: 3/8/93
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 26, 1993 in Room 123-S of the Capitol.

Members present: Senators Downey, Feleciano, Jr., Gooch, Harris, Kerr, Petty, Ranson, Steffes and Vidricksen

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Ann Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Senator Feleciano moved and Senator Ranson seconded to approve the minutes of February 22 and 23. The motion passed.

The Chairman announced the subcommittees on **SB 73, 12, 144, 145 and 215**, need more time to complete their deliberations on these bills. A request will be made to refer these bills, as well as **SB 307**-Workplace health and safety program under state workers compensation

Discussion and possible action on bills previously heard:

SB 86--Requiring project cost estimates on county roads and bridges

Lynne Holt, Analyst, Legislative Research Department, distributed a memorandum from Kansas Department of Transportation, and explained the Department of Transportation does maintain project cost accounting procedures, see Attachment 1. She consulted with several people, including people in Oregon, about whether assessments had been conducted to determine if counties saved money by contracting out construction jobs or using their own people, and there were no such assessments.

Several members expressed general support for the overall concept of privatization, but did not feel **SB 86** was well enough refined to accomplish that goal without undue burden on counties. Comments indicated support for interim study on the overall topic of privatization.

SB 165--Employment security, taxable wage base increase

Information regarding the taxable wage base from Manpower Temporary Services, see Attachment 2 and the Kansas Restaurant and Hospitality Association, see Attachment 3, were distributed to the Committee.

Jerry Donaldson, Analyst, Legislative Research Department, explained **SB 165** increases the taxable wage base by $1,000 each year until it reaches 60 percent of the statewide annual wage. According to the Department of Human Resources, Kansas has increased the taxable wage base as the federal government has increased its base. The federal minimum is now $7,000.

Senator Kerr moved to amend **SB 165** by striking on page 14, lines 27 through 33, beginning on line 27 with "The", and to substitute on line 37 "June 30" for "July 1". Senator Steffes seconded the motion. The motion passed.

Senator Kerr moved and Senator Steffes seconded to recommend **SB 165**, as amended, favorably for passage.

The Chairman distributed copies of tables showing the effect of change to a $12,000 wage base, CY 1992-1995, for low wage employer and high wage employer, see Attachment 4.

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on February 26, 1993.

After committee discussion, Senator Kerr withdrew his motion to recommend **SB 165**, as amended, favorably for passage.

The Chairman stated **SB 165** will be rereferred for further committee discussion.

The committee meeting was adjourned at 9:00 a.m.

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE DATE: 2/26/93

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
JERRY SLAUGHTER	TOPEKA	KS. MEDICAL SOCIETY
BUD GRANT	"	KCCI
BEV BRADLEY	TOPEKA	KS Assoc of Counties
Mark Barcellina	Topeka	KDOC&H

Kansas Department of Transportation

February 25, 1993

MEMORANDUM TO: Lynne Holt
Legislative Research Department

REGARDING: Project Cost Accounting

This memorandum is in response to your inquiry regarding KDOT's Project Cost Accounting.

The Kansas Department of Transportation plans, manages work, and tracks actual expenditures by utilizing a project numbering system. A specific project retains its assigned number throughout the life of the project. A project is a unit of work designed to accomplish a specific KDOT objective.

The Kansas Department of Transportation has a Comprehensive Program Management System (CPMS). CPMS is used to monitor planned project costs and to collect actual project costs.

The Kansas Department of Transportation maintains a project cost accounting procedure. Cash expenditures and in-house costs that are directly related to a project are collected for a specific project. Cash expenditures are: contractual payments, land purchases, KDOT employee labor and other incidental expenses. In-house cost are: consumable inventory items, photo-duplicating, KDOT equipment usage and KDOT employee labor additives. Each expenditure or cost is identified by a project number and a document number. As the expenditure or cost becomes available in the various computer systems, they are distributed to the specific project. Accumulated to date expenditures and costs are maintained for each specific project.

The audit of the project expenditures and cost transactions are included in the Kansas Statewide Single Audit Report.

Although the agency financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP), we are of the opinion that the principles are not the appropriate criteria for project accounting.

Should you have any questions, please let me know.

Dale Jost

Dale Jost, Chief
Bureau of Fiscal Services

cc: Robert Haley
Nancy Bogina
Bill Watts

Commerce
2/26/93
Att #1

MANPOWER
TEMPORARY SERVICES

February 15, 1993

Senator Alicia L. Salisbury
State Capitol Building, Room 120-S
Topeka, KS 66612

Dear Senator Salisbury,

Monday morning in the Commerce Committee, you heard testimony regarding Senate Bill 165 that increases the taxable wage base for unemployment taxes. A few questions were raised that I will try to answer for you with the additional information that I have attached.

Bill Layes at the Department of Human Resources provided me with a list of the taxable wage base for each state. On that list, two of our neighboring states use a wage base that is a percentage of the state-wide average wage:

Iowa	$13,100	66 2/3%
Oklahoma	$10,400	50%

The wage base in the four other neighboring states is listed below:

Arkansas	$ 8,000
Colorado	$10,000
Nebraska	$ 7,000
Missouri	$ 7,500**

**Wage base adjusts each year according to fund balance (less Federal advances). If fund balance is less than $100 million, wage base will increase by $500; if $250 million or more, base will be reduced by $500.

<u>Please remember, you can't compare states simply by comparing their wage base.</u> You must also look at their contribution rates. For example, in addition to increasing the taxable wage base by $500 for 1993, Missouri has imposed a 30% surcharge on contributions because their fund balance needs to be replenished.

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Topeka, Kansas 66611
2901 Burlingame
(913) 267-4060

Emporia, Kansas 66801
707 W. 6th Avenue
(316) 342-5751

Manhattan, Kansas 66502
555 Poyntz, Suite 245
(913) 776-1094

Junction City, Kansas 66441
838 A South Washington
(913) 776-1094

Lawrence, Kansas 66044
211 East 8th Street, Suite B
(913) 749-2800

Ottawa, Kansas 66067
407 South Main
(913) 242-1002

The eighteen states that have indexed their taxable wage base to the state-wide average wage are listed below:

State	Wage Base	% of State-wide Avg. Wage
Alaska	$23,200	75%
Hawaii	$23,900	100%
Idaho	$19,200	100%
Iowa	$13,100	66 2/3%
Minnesota	$14,300	60%
Montana	$14,500	80%
Nevada	$14,800	66 2/3%
New Jersey	$16,100	54%
New Mexico	$12,600	65%
North Carolina	$12,500	60%
North Dakota	$12,600	70%
Oklahoma	$10,400	50%
Oregon	$18,000	80%
Rhode Island	$15,600	70%
Utah	$15,700	75%
Virgin Islands	$20,500	100%
Washington	$18,500	80%
Wyoming	$11,100	55%

Some of the testimony given Monday morning indicated that this was like an insurance policy--sometimes more is paid out than is paid in. Let's also remember that with insurance policies you can't continually have more benefits paid than what you pay in premium. If you have bad experience, you either have rate increases or you get cancelled.

Employers will always pay more than what their own claims are to cover benefits paid out the general fund and to cover unemployment claims for other employers who go out of business, but they shouldn't continually subsidize employers who have negative account balances.

If you have any questions, please feel free to call me at 267-4060.

Sincerely,

Jacki Summerson

Jacki Summerson
Franchise Owner

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2-26-93
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KANSAS RESTAURANT AND HOSPITALITY KRHA ASSOCIATION

KANSAS RESTAURANT AND HOSPITALITY ASSOCIATION

359 SOUTH HYDRAULIC • P.O. BOX 235 • WICHITA, KANSAS 67201 • (316) 267-8383 • FAX (316) 267-8400

February 12, 1993

Senator Alicia Salisbury, Chairperson
SENATE COMMERCE COMMITTEE
State Capitol - Room 120-S
Topeka, Kansas 66612

Dear Chairperson Salisbury:

The Kansas Restaurant and Hospitality Association (KRHA) supports SB165 which would increase the taxable wage base for unemployment tax purposes.

There is an inequity in the current system for small businesses such as restaurants that, for the most part, have a high turnover of employees with entry level wages and many part-time employees. These operators must pay unemployment taxes on a much larger percentage of their payroll than most other employers. Therefore, the KRHA asks for your support of SB165.

Sincerely,

George Puckett, Executive Vice President
KANSAS RESTAURANT AND HOSPITALITY ASSOCIATION

cc: Sen. Ben Vidricksen, Senate Commerce Committee

Commerce
2-26-93

"...Promoting Excellence in the Foodservice and Hospitality Industry Since 1933"

TABLE 4
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $12,000 WAGE BASE 1/
CY 1992 - 1995

Low Wage Employer

Payroll: 20 employees at $8,000/year
Total Wages: $160,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $12,000 (proposed)--$160,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000
$$\text{Reserve Ratio} = \frac{\$32{,}000 - \$3{,}200}{\$160{,}000} = 0.18000$$
Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1992 Contributions--if $12,000 wage base had gone into effect CY 1991
1992 Contributions: $12,000 Current Wage Base: previous years, all $8,000
$$\text{Reserve Ratio} = \frac{\$32{,}944 - \$3{,}200}{\$160{,}000} = 0.18590$$
Rate Group = 6 Rate = 0.28%
Contributions = $160,000 x 0.28% = $448

1993 Contributions--if $12,000 wage base had gone into effect CY 1991
1993 Contributions: $12,000 Current Wage Base: last year of average payroll, $12,000; first two years of average payroll, $8,000
$$\text{Reserve Ratio} = \frac{\$33{,}392 - \$3{,}200}{\$160{,}000} = 0.18870$$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

1994 Contributions--if $12,000 wage base had gone into effect CY 1991
1994 Contributions: $12,000 Current Wage Base: last two years of average payroll, $12,000; first year of average payroll, $8,000
$$\text{Reserve Ratio} = \frac{\$33{,}488 - \$3{,}200}{\$160{,}000} = 0.18930$$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

1995 Contributions, if $12,000 wage base had gone into effect CY 1991
1995 Contributions: $12,000 Current Wage Base: all years of average payroll at $12,000
$$\text{Reserve Ratio} = \frac{\$33{,}584 - \$3{,}200}{\$160{,}000} = 0.18990$$
Rate Group = 2 Rate = 0.06%
Contributions = $160,000 x 0.06% = $96

1/ This example does not represent the universe of low wage employers. It projects future contributions based on 1991 rate schedules actual and estimated to account for variations in wage bases. It does not reflect changes in employment, wages, and benefit charges for individual employers.

Commerce
2/26/93
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TABLE 5
POSITIVE ELIGIBLE ACCOUNT
EFFECT OF CHANGE TO $12,000 WAGE BASE 1/
CY 1992 - 1995

High Wage Employer

Payroll: 20 employees at $20,000/year
Total Wages: $400,000
Taxable Wage Base and Annual Taxable Wage: $8,000 (current)--$160,000; $12,000 (proposed)--$240,000
Contributions (all past periods): $32,000
Benefits (all past periods): $3,200
Average Annual Wages: Average of 3 years taxable wages

$$\text{Reserve Ratio} = \frac{\text{Contributions - Benefits}}{\text{Average Annual Wages}}$$

Actual 1991 Rate
1991 Contribution: $8,000 Current Wage Base: previous years, all $8,000

$$\text{Reserve Ratio} = \frac{\$32,000 - \$3,200}{\$160,000} = 0.18000$$

Rate Group = 8 Rate = 0.59%
Contributions = $160,000 x 0.59% = $944

1992 Contributions--if $12,000 wage base had gone into effect CY 1991
1992 Contributions: $12,000 Current Wage Base: previous years, all $8,000

$$\text{Reserve Ratio} = \frac{\$32,944 - \$3,200}{\$160,000} = 0.18590$$

Rate Group = 6 Rate = 0.28%
Contributions = $240,000 x 0.28% = $672

1993 Contributions--if $12,000 wage base had gone into effect CY 1991
1993 Contributions: $12,000 Current Wage Base: last year of average payroll, $12,000; first two years of average payroll, $8,000

$$\text{Reserve Ratio} = \frac{\$33,616 - \$3,200}{\$186,667} = 0.16294$$

Rate Group = 8 Rate = 0.39%
Contributions = $240,000 x 0.39% = $936

1994 Contributions--if $12,000 wage base had gone into effect CY 1991
1994 Contributions: $12,000 Current Wage Base: last two years of average payroll, $12,000; first year of average payroll, $8,000

$$\text{Reserve Ratio} = \frac{\$34,552 - \$3,200}{\$213,333} = 0.14696$$

Rate Group = 10 Rate = 0.50%
Contributions = $240,000 x 0.50% = $1,200

1995 Contributions, if $12,000 wage base had gone into effect CY 1991
1995 Contributions: $12,000 Current Wage Base: all years of average payroll at $12,000

$$\text{Reserve Ratio} = \frac{\$35,752 - \$3,200}{\$240,000} = 0.13563$$

Rate Group = 10 Rate = 0.50%
Contributions = $240,000 x 0.50% = $1,200

1/ This example does not represent the universe of high wage employers. It projects future contributions based on 1991 rate schedules actual and estimated to account for variations in wage bases. It does not reflect changes in employment, wages, and benefit charges for individual employers.

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