

Approved: February 20, 1995
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 17, 1995 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Downey, Feleciano, Gooch, Harris, Kerr, Petty, Ranson, Reynolds, and Steffes.

Committee staff present: Lynne Holt, Legislative Research Department
Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Betty Bomar, Committee Secretary

Conferees appearing before the committee:

Art Brown, Executive Director, Mid-America Lumbermens Association
Terry Leatherman, Executive Director, Kansas Chamber of Commerce and Industry
Hal Hudson, Director, National Federation of Independent Business

Others attending: See attached list

Upon motion by Senator Feleciano, seconded by Senator Steffes, the Minutes of the February 16, 1995 meeting were unanimously adopted.

SB 235 - Employment Security; reduction of employer contribution rates

Art Brown, testified in favor of the bill; however, the moratorium contained in HB 2305 is preferred by the members of his association. He provided information regarding the Trust Fund balances utilizing percentage contained in SB 235 and those utilizing provisions in HB 2305. The economic development derived from the moratorium would be a big positive for the state. Mr. Brown advised that in taking a survey of his Association, a small dealer (market under 10,000 in population) would save \$8500 in two years; for a larger dealer (population over 200,00), the savings would be in excess of \$120,000. HB 2305 is not a tax shift, it is not a cut in the tax base, it is simply money put back into a business, to make that business grow, and in turn the communities throughout the state will benefit. Mr. Brown concluded that if SB 235 is passed with the inclusion of a 2-year moratorium, all businesses in the State will benefit. See attachment 1

The Chair asked Mr. Brown the age of those businessmen he surveyed. Mr. Brown reported between 40 and 50. The Chair responded it would appear the older businessman has concerns as to HB 2305 inasmuch as they are not as favorable to the moratorium. The more conservative approach would appear to be preferable to this group of business persons as they all remember the need for a surcharge assessment in the 80's.

Terry Leatherman; testified in support of SB 235 on behalf of the Kansas Chamber of Commerce and Industry. The Kansas Trust Fund balance as of January 21, 1995, is sufficient, even if unemployment rate was 100%, to pay every Kansan unemployment benefits for a two week period. Mr. Leatherman submitted information regarding Kansas ranking relating to current reserves and employer tax rate. Kansas has one of the highest percentages for the employer tax rate.

Mr. Leatherman provided charts comparing the two bills as to savings to businesses and the balances in the accounts over a three year period. The information utilized in the computations was a 5% wage and growth rate. The charts indicate that with the enactment of either bill there is at least a savings of \$221 million for a three year period. Mr. Leatherman also illustrated the effect of a lesser percentage (.50), than the .40% contained in either HB 2305 or SB 235. KCCI supports either of the bills in question. See attachment 2

Hall Hudson, appeared on behalf of the National Federation of Independent Business in support of SB

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on February 17, 1995.

235. The small business employers want tax relief. A reduction in unemployment compensation tax is a relief that can be granted without impacting the revenues required of state government. Mr. Hudson stated that the business owners prefer HB 2305 at the .40% rate. Undoubtedly, after the two year moratorium there will be those that complain about having to pay the tax, however, most Kansas business owners understand these bills offer only temporary relief. See attachment 3.

The Committee requested information from the Employment Security Division on the results of SB 235 and HB 2305 using a .50% rate reduction and a .60% rate reduction, as well as the impact of the two bills on businesses of varying sizes.

The Committee adjourned at 9:00 a.m.

The next meeting is scheduled for Monday, February 20, 1995.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: February 17, 1995

NAME	REPRESENTING
BILL JARRELL	BOEING
TERRY LEATHERMAN	KCCI
Mike Montano	Alan Lobb
Hal Hudson	NFIB/KS
Chuck Derrin	HAVILAND TELEPHONE CO LEADERSHIP 2000
Nita Barnes Clontz	Perkins, Smart & Company Leadership 2000
W. Wayne Bryan	Prof. Regio. of Medical Ctr Leadership 2000
Dona Plick	The Peoples Bank Leadership 2000
Juanita Sumner	Paul Chamber of Commerce Leadership 2000
Frank Sumner	Wichita Services Inc
Mark Kan	Professional Security, Inc.
Reggie Davis	KS Dept of HR
Linda Tierce	"
Bill Laves	" " " "
PAUL BICKNELL	" " " "
Roger Francois	FEC
David B. Dallan	Division of the Budget
Yisaki Shilley	Prof Community College Prof Leadership 2000
Stephen W. Hedrick	" "



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MID-AMERICA LUMBERMENS ASSOCIATION

TESTIMONY TO THE SENATE COMMERCE COMMITTEE

Senate Bill No. 235

February 17, 1995

Madame Chair, members of the Senate Commerce Committee, my name is Art Brown, and I appear before you today as a proponent of Senate Bill #235.

Let us state at the start, that our membership applauds both chambers of the Legislature for dealing with this issue, and looking to provide an opportunity for the businesses of this State to benefit from some true, put it in your pocket, savings that this bill, and the House Version, HB 2305, which has been passed by the House Business Commerce and Labor Committee provide to the business community.

What I wish to do, if it has not been done by prior conferees, is to draw your attention to the tables at the back of my testimony.

This chart, prepared by the Labor Market Information Service from KDHR, shows the committee the impact of Schedule III fund controls of ratios to total wages, using the yield addressed in Senate Bill #235. What you will notice, is that the fund, never gets in any danger of impacting

*February 17, 1995
Commerce*

Attachment 1



pg. 2-Testimony before the Senate Commerce Committee SB 235
February 17, 1995

the formula, which keeps the fund at a level of approximately \$325 million to cover claims against the fund. This is shown in Table #2.

The next attachment, Table #1, shows what happens to the fund if the current ratio levels were maintained. It is easy to see, that the fund would be right back to where it is without these reductions by 1998.

What is extremely important to note, is that Table 2 numbers indicate the level of the fund, starting in 1997, AFTER A 2-YEAR MORATORIUM FOR ALL BUSINESS WITH A POSTIVE POSTION WITH THE FUND. What this shows us, is that even with a 2-year moratorium to all the business in Kansas with a postive balance, the fund never dips below \$503 million.

By combining the features of HB 2305 which includes a 2-year moratorium to all business with a postive balance in the fund, along with the change in Schedule III rates, which were originally included in the current Senate bill and adopted into the new HB 2305, we think we have something we can really stand behind and are eager for, and hopeful of support from the Legislature. In referring to pg. 3, Lines 8 and 9, in which employees with a reserve ration of .20 or higher be the only employers who could participate in the moratorium, we would ask , that given the chart on Table 2, that a re-consideration be given to allow all

businesses to participate in this moratorium.

We believe the original thinking to some sponsors of this bill, is that by implementing a two year moratorium to all business, and then going back to the rates shown in Table 1, many would look at this action as a tax increase. Speaking for our membership, I am confident we could educate our members well enough to know better, but we feel that such a concern is a viable one. With the numbers shown in Table 2, we think that argument shrinks considerably.

To be very candid with you, this looks to be one of these "good time bad time" issues. Times have been good enough lately to have good employment in most Kansas business, and with some notable exceptions, not a significant number of job layoffs. Thus, the fund is showing the strength it is. When the time comes, and it most certainly will, we will hit a downturn, and the Legislature may very well have to make adjustments at that time to raise the level of the fund to provide for claims. This is always a possibility. We would say this. You have the opportunity to make a lot of business people very, very happy.

I have visited with about a dozen of my members on this issue. Some big dealers, some very small. We would like to consider ourselves just about as average group of business people as any others in the State. I called them Wednesday afternoon (2/15)

with the updated numbers on Table 2. To paraphrase Tony the Tiger, they think this bill is GREAT! But all of the ones I visited with definitely want this 2-year moratorium.

I asked them what they would do with any money they would save from such a moratorium, and most were pretty tight lipped.

The overall sentiment was, "lets get the money first, then we will decide." But, a couple did volunteer that they would look at giving key personnel raises, and another dealer said he would upgrade his computer system and possibly buy a new truck.

How much money are we talking about? For a small dealer (in a market under 10,000 in population) they would save \$8500 in two years. For a larger dealer (population over 200,000) the savings would be in excess of \$120,000.

This is not a tax shift, this is not a cut in the tax base, this is simply money, put back into a business, to make that business grow, and in turn the community in which they domicile benefits also.

I can assure you, if we as lumber dealers are thinking this way, other business owners are thinking along the same lines, we are not that far apart in our business ideology, although they can speak for themselves.

We are confident, that if you pass SB 235, with the inclusion of a

**pg. 5- Testimony before the Senate Commerce Committee SB-235
February 17, 1995**

2-year moratorium for all business in the State with a positive position to the fund, every business owner in the State of Kansas, and in your districts, to break it down that far, will have a smile from ear to ear for what you have done to provide this opportunity for them.

I thank you for this opportunity to visit with you as a proponent on this issue today. I stand ready to address any comments you may have, or answer any questions.

with modified Schedule III

Table 2
 Unemployment Insurance Contribution Rates
 for Positive Balance Employer Accounts
 CY 1995 Actual and CY 1995-1999 With a Two-Year Moratorium CY 1995-1996
 With a Revised Schedule III to Retain Rates at 1995 Levels

Rate Group	Actual 1995	With a Moratorium 1995-1996				
		1995	1996	1997	1998	1999
1	0.05	0.00	0.00	0.05	0.05	0.05
2	0.07	0.00	0.00	0.08	0.08	0.08
3	0.15	0.00	0.00	0.15	0.16	0.17
4	0.22	0.00	0.00	0.23	0.24	0.25
5	0.29	0.00	0.00	0.30	0.33	0.34
6	0.37	0.00	0.00	0.38	0.41	0.42
7	0.44	0.00	0.00	0.46	0.49	0.51
8	0.52	0.00	0.00	0.53	0.57	0.59
9	0.59	0.00	0.00	0.61	0.65	0.68
10	0.66	0.00	0.00	0.68	0.73	0.76
11	0.74	0.00	0.00	0.76	0.81	0.84
12	0.81	0.00	0.00	0.84	0.89	0.93
13	0.88	0.00	0.00	0.91	0.98	1.01
14	0.96	0.00	0.00	0.99	1.06	1.10
15	1.03	0.00	0.00	1.07	1.14	1.18
16	1.10	0.00	0.00	1.14	1.22	1.27
17	1.18	0.00	0.00	1.22	1.30	1.35
18	1.25	0.00	0.00	1.29	1.38	1.44
19	1.32	0.00	0.00	1.37	1.46	1.52
20	1.40	0.00	0.00	1.45	1.54	1.60
21	1.47	0.00	0.00	1.52	1.63	1.69
22	1.55	0.00	0.00	1.60	1.71	1.77
23	1.62	0.00	0.00	1.67	1.79	1.86
24	1.69	0.00	0.00	1.75	1.87	1.94
25	1.77	0.00	0.00	1.83	1.95	2.03
26	1.84	0.00	0.00	1.90	2.03	2.11
27	1.91	0.00	0.00	1.98	2.11	2.20
28	1.99	0.00	0.00	2.05	2.19	2.28
29	2.06	0.00	0.00	2.13	2.28	2.36
30	2.13	0.00	0.00	2.21	2.36	2.45
31	2.21	0.00	0.00	2.28	2.44	2.53
32	2.28	0.00	0.00	2.36	2.52	2.62
33	2.36	0.00	0.00	2.43	2.60	2.70
34	2.43	0.00	0.00	2.51	2.68	2.79
35	2.50	0.00	0.00	2.59	2.76	2.87
36	2.58	0.00	0.00	2.66	2.84	2.96
37	2.65	0.00	0.00	2.74	2.93	3.04
38	2.72	0.00	0.00	2.81	3.01	3.12
39	2.80	0.00	0.00	2.89	3.09	3.21
40	2.87	0.00	0.00	2.97	3.17	3.29
41	2.94	0.00	0.00	3.04	3.25	3.38
42	3.02	0.00	0.00	3.12	3.33	3.46
43	3.09	0.00	0.00	3.20	3.41	3.55
44	3.16	0.00	0.00	3.27	3.50	3.63
45	3.24	0.00	0.00	3.35	3.58	3.72
46	3.31	0.00	0.00	3.42	3.66	3.80
47	3.39	0.00	0.00	3.50	3.74	3.88
48	3.46	0.00	0.00	3.58	3.82	3.97
49	3.53	0.00	0.00	3.65	3.90	4.05
50	3.61	0.00	0.00	3.73	3.98	4.14
51	3.68	0.00	0.00	3.80	4.06	4.22
End of Year Fund Balance	\$752.5	\$630.8	\$503.8	\$510.1	\$531.9	\$572.5

No change in Schedule III

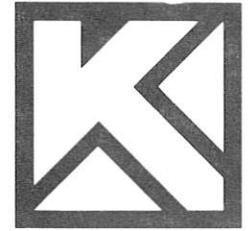
Table 1
 Unemployment Insurance Contribution Rates
 for Positive Balance Employer Accounts
 CY 1995 Actual and CY 1995-1999 With a Two Year - Moratorium
 and No Change in Schedule III

Rate Group	Actual 1995	With a Moratorium 1995-1998				
		1995	1996	1997	1998	1999
1	0.05	0.00	0.00	0.09	0.08	0.08
2	0.07	0.00	0.00	0.14	0.13	0.12
3	0.15	0.00	0.00	0.28	0.26	0.25
4	0.22	0.00	0.00	0.42	0.39	0.37
5	0.29	0.00	0.00	0.56	0.53	0.50
6	0.37	0.00	0.00	0.70	0.66	0.62
7	0.44	0.00	0.00	0.84	0.79	0.74
8	0.52	0.00	0.00	0.98	0.92	0.87
9	0.59	0.00	0.00	1.12	1.05	0.99
10	0.66	0.00	0.00	1.27	1.18	1.11
11	0.74	0.00	0.00	1.41	1.32	1.24
12	0.81	0.00	0.00	1.55	1.45	1.36
13	0.88	0.00	0.00	1.69	1.58	1.49
14	0.96	0.00	0.00	1.83	1.71	1.61
15	1.03	0.00	0.00	1.97	1.84	1.73
16	1.10	0.00	0.00	2.11	1.97	1.86
17	1.18	0.00	0.00	2.25	2.10	1.98
18	1.25	0.00	0.00	2.39	2.24	2.11
19	1.32	0.00	0.00	2.53	2.37	2.23
20	1.40	0.00	0.00	2.67	2.50	2.35
21	1.47	0.00	0.00	2.81	2.63	2.48
22	1.55	0.00	0.00	2.95	2.76	2.60
23	1.62	0.00	0.00	3.09	2.89	2.72
24	1.69	0.00	0.00	3.23	3.02	2.85
25	1.77	0.00	0.00	3.37	3.16	2.97
26	1.84	0.00	0.00	3.51	3.29	3.10
27	1.91	0.00	0.00	3.66	3.42	3.22
28	1.99	0.00	0.00	3.80	3.55	3.34
29	2.06	0.00	0.00	3.94	3.68	3.47
30	2.13	0.00	0.00	4.08	3.81	3.59
31	2.21	0.00	0.00	4.22	3.95	3.72
32	2.28	0.00	0.00	4.36	4.08	3.84
33	2.36	0.00	0.00	4.50	4.21	3.96
34	2.43	0.00	0.00	4.64	4.34	4.09
35	2.50	0.00	0.00	4.78	4.47	4.21
36	2.58	0.00	0.00	4.92	4.60	4.33
37	2.65	0.00	0.00	5.06	4.73	4.46
38	2.72	0.00	0.00	5.20	4.87	4.58
39	2.80	0.00	0.00	5.34	5.00	4.71
40	2.87	0.00	0.00	5.40	5.13	4.83
41	2.94	0.00	0.00	5.40	5.26	4.95
42	3.02	0.00	0.00	5.40	5.39	5.08
43	3.09	0.00	0.00	5.40	5.40	5.20
44	3.16	0.00	0.00	5.40	5.40	5.33
45	3.24	0.00	0.00	5.40	5.40	5.40
46	3.31	0.00	0.00	5.40	5.40	5.40
47	3.39	0.00	0.00	5.40	5.40	5.40
48	3.46	0.00	0.00	5.40	5.40	5.40
49	3.53	0.00	0.00	5.40	5.40	5.40
50	3.61	0.00	0.00	5.40	5.40	5.40
51	3.68	0.00	0.00	5.40	5.40	5.40
End of Year						
Fund Balance	\$752.5	\$630.8	\$503.8	\$612.7	\$724.4	\$848.4

Kansas Department of Human Resources
 Division of Staff Services
 Labor Market Information Services
 February 1995

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



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SB 235

February 17, 1995

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Committee on Commerce

by
Terry Leatherman
Executive Director
Kansas Industrial Council

Madam Chairperson and members of the Committee:

My name is Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. For several years, KCCI has spoken out about the growth of the Kansas Employment Security Trust Fund and the taxes Kansas employers pay to finance the Fund. That is why KCCI supports SB 235 as a bold approach to addressing the unemployment compensation tax burden employers face.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

*February 17, 1995
Commerce
Attachment 2*

First of all, permit me to review the basics of the Kansas Employment Security Law. The heart of the law is that qualified workers who become unemployed "through no fault of their own" deserve benefits as they search for new employment. The law charges employers with the exclusive responsibility to finance this program. A major state role is to make sure the pot of money the unemployed draw benefits from is properly stoked with employer tax dollars. The pot where the benefit dollars are kept is called the Kansas Employment Security Trust Fund.

By all measures, Kansas has not only made sure the Trust Fund is adequate, but has exceeded what is needed to insure benefits are there for unemployed workers.

*As of January 21, 1995, the Kansas Employment Security Trust Fund balance was \$721 million. If the Kansas unemployment rate was 100%, if every covered Kansan lost their jobs, there is enough money in the Trust Fund to pay every Kansan the maximum unemployment benefits allowed for two weeks.

* All standard measures of Trust Fund adequacy ranks Kansas very high.

HIGH COST MULTIPLE
 (compares Trust Fund to worst unemployment in the last 15 year)
 as of December, 1993

STATE	High Cost Multiple	U.S. Rank
Kansas	1.64	2nd
Oklahoma	1.62	3rd
Iowa	1.22	9th
Nebraska	1.03	15th
Colorado	0.96	18th
Arkansas	0.36	39th
Missouri	0.08	49th
U.S. Average	0.60	—

CURRENT RESERVE ANALYSIS
 (Compares the number of months benefits could be paid at current levels)
 as of 2nd Quarter, 1994

STATE	Months of Benefits	U.S. Rank
Nebraska	50.2	9th
Kansas	48.2	10th
Iowa	46.5	11th
Oklahoma	46.4	12th
Colorado	27.8	26th
Arkansas	11.0	39th
Missouri	2.5	48th
U.S. Average	16.3	—

EMPLOYER TAX RATE
 (Taxes as a percentage of total wages)
 For 1992, National Foundation for
 Unemployment Compensation & Workers Compensation

STATE	Tax %	Tax Paid (in millions)
Arkansas	1.0%	139.8
Kansas	.89%	171.4
Iowa	.82%	154.8
Missouri	.66%	253.9
Colorado	.60%	171.9
Nebraska	.47%	51.3
Oklahoma	.39%	95.1
U.S. Average	.77%	—

Finally, if anyone is concerned about the magnitude of the tax reductions by any of the bills on this subject before the legislature, please consider this. If the Kansas Trust fund is slashed in half, which is much more than the reduction in SB 235, we would still have more Trust Fund dollars in Kansas than in 22 other states, including states like Maryland, Massachusetts, Minnesota, Nebraska and West Virginia. Kansas currently has \$300 million more in its Trust Fund than the state of New York and 10 times more than in Missouri. However, Kansas employers bear a higher tax burden than employers in New York or Missouri in the area of unemployment compensation.

The challenge is not whether unemployment compensation taxes should be cut, but how they should be reduced. Let's review some of the key issues in the debate.

1. A ZERO TAX RATE FOR .20 RESERVE RATIO EMPLOYERS

For clarification, an employer's account balance compares the unemployment compensation taxes paid in to unemployment benefits paid out, that have been charged to an employer. Like a checking account, if you deposit more in taxes than is paid out of your account in benefits, you have a "positive balance." The system then takes another step by comparing an account balance to your annual payroll to give an employer a "reserve ratio."

Using reserve ratios, Kansas then divides all "positive balance" employers into 51 "Rate Groups." The employers in Rate Group 1, have the best reserve ratios. Rate Group 51 is populated by employers who are the closest to having a negative account balance. The reason why rate group assignment is important is rates vary through the array. The following is drawn from 1994 tax rates:

Rate Group 1 ---.05 Tax Rate --- \$4 per employee
Rate Group 51-3.86 Tax Rate --\$308.80 per employee

The two-year moratorium concept in HB 2305 will obviously most benefit the employers at the bottom of the rate group array, since their tax rate is much higher than the upper rate groups. The moratorium concept grants the 0% tax rate to 44,642 employers, as of 1995.

The SB 235 approach establishes tiers among positive balance employers. First, the .20 reserve level employers would be told they pay no unemployment taxes as long as they stay above the .20 level. Today, that would affect 13,600 employers who populate Rate Groups 1 through 6. The remaining 31,000 positive balance employers would continue to have a tax burden under SB 235, but the .40 yield reduction will greatly lower their taxes, as will be shown later.

In addition, it should be pointed out the effect the .20 permanent moratorium will have on the 51 Rate Group array. If the .20 reserve ratio employers are removed from the array, an employer in Rate Group 7 climbs the charts to Rate Group 1. In 1994, their taxes would have changed from .54 (Rate Group 7) to .05 (Rate Group 1). Obviously Rate Group 51 employers would stay in that group and pay the highest tax rates.

2. THE TAX RATE EFFECT ON THE KANSAS EMPLOYMENT SECURITY TRUST FUND

The next several pages attempt to compare various approaches to reforming tax rates and their differing effects of the Trust Fund. The comparisons are built from the Kansas Department of Human Resources memorandum concerning computation of employer rates for 1995 (dated: November 22, 1994). These comparisons are not an attempt to forecast where the Trust Fund will be in years to come, but to contrast the differing approaches to reducing employer taxes.

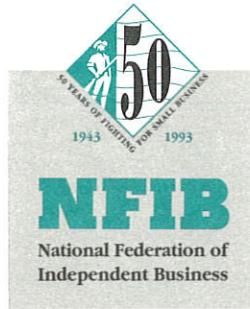
Year 1	Current System	HB 2305, as amended	SB 235	SB 235 at .50 reduction
Trust Fund Balance	\$724.6 million	\$724.6 million	\$724.6 million	\$724.6 million
Total Payroll	\$19.6 billion	\$19.6 billion	\$19.6 billion	\$19.6 billion
Ratio: Fund Balance to Payroll	3.703%	3.703%	3.703%	3.703%
Schedule III Yield	0.76%	0.36%	0.36%	0.26%
Converted to Taxable Wages	2.12%	1.01%	1.01%	0.73%
Total Taxes by Employers	\$148.6 million	\$70.8 million	\$70.8 million	\$51.2 million
(non-positive balance employer share)	\$37 million	\$28 million (lower new employer taxes)	\$33 million	\$33 million
(positive balance employer share)	\$111.6 million	\$0 (year 1 of moratorium)	\$37.8 million	\$18.2 million
ACTUAL TAX COLLECTED	\$148.6 million	\$28 million	\$70.8 million	\$51.2 million
Interest Income	\$50 million	\$50 million	\$50 million	\$50 million
Trust Fund Balance Subtotal	\$923.2 million	\$802.6 million	\$845.4 million	\$825.8 million
U. C. Benefits paid	\$180 million	\$180 million	\$180 million	\$180 million
Year End Balance	\$743.2 million	\$622.6 million	\$665.4 million	\$645.8 million

Year 2	Current System	HB 2305, as amended	SB 235	SB 235 at .50 reduction
Trust Fund Balance	\$743.2 million	\$622.6 million	\$665.4 million	\$645.8 million
Total Payroll (plus 5%)	\$20.5 billion	\$20.5 billion	\$20.5 billion	\$20.5 billion
Ratio: Fund Balance to Payroll	3.617%	3.030%	3.238%	3.143%
Schedule III Yield	0.78%	0.50%	0.46%	0.38%
Converted to Taxable Wages	2.18%	1.40%	1.28%	1.06%
Total Taxes by Employers	\$160.1 million	\$102.8 million	\$94.0 million	\$77.9 million
(non-positive balance employer share)	\$37 million	\$28 million (lower new employer taxes)	\$33 million	\$33 million
(positive balance employer share)	\$123.1 million	\$0 (year 2 of moratorium)	\$61 million	\$44.9 million
ACTUAL TAX COLLECTED	\$160.1 million	\$28 million	\$94.0 million	\$77.9 million
Interest Income (7% of TF balance)	\$52 million	\$43.6 million	\$46.6 million	\$45.2 million
Trust Fund Balance Subtotal	\$955.3 million	\$694.2 million	\$806.0 million	\$768.9 million
U. C. Benefits paid	\$180 million	\$180 million	\$180 million	\$180 million
Year End Balance	\$775.3 million	\$514.2 million	\$626.0 million	\$588.9 million

Year 3	Current System	HB 2305, as amended	SB 235	SB 235 at .50 reduction
Trust Fund Balance	\$775.3 million	\$514.2 million	\$626.0 million	\$588.9 million
Total Payroll (plus 5%)	\$21.6 billion	\$21.6 billion	\$21.6 billion	\$21.6 billion
Ratio: Fund Balance to Payroll	3.593%	2.383%	2.901%	2.729%
Schedule III Yield	0.79%	0.63%	0.52%	0.46%
Converted to Taxable Wages	2.21%	1.77%	1.46%	1.29%
Total Taxes by Employers	\$170.1 million	\$136.2 million	\$112.4 million	\$99.3 million
(non-positive balance employer share)	\$37 million	\$28 million (lower new employer taxes)	\$33 million	\$33 million
(positive balance employer share)	\$133.1 million	\$108.2 million	\$79.4 million	\$66.3 million
ACTUAL TAX COLLECTED	\$170.1 million	\$136.2 million	\$112.4 million	\$99.3 million
Interest Income (7% of TF balance)	\$54.3 million	\$36 million	\$43.8 million	\$41.2 million
Trust Fund Balance Subtotal	\$999.7 million	\$686.4 million	\$782.2 million	\$729.4 million
U. C. Benefits paid	\$180 million	\$180 million	\$180 million	\$180 million
Year End Balance	\$819.7 million	\$506.4million	\$602.2 million	\$549.4 million

There are many approaches to reach the goals of SB 235. The Kansas Chamber looks forward to working with this Committee in achieving a tax structure where Kansas employees are assured benefits will be paid and Kansas employers are assured they will only contribute the taxes needed to meet that challenge.

Thank you for the opportunity to explain why KCCI supports SB 235. I would be happy to attempt to answer any questions.



**Testimony of
Hal Hudson, Kansas State Director
National Federation of Independent Business**

**Before the
Kansas Senate Commerce Committee**

on Senate Bill 235

Friday February 17, 1994

Madame Chairperson and members of the Committee: Thank you for this opportunity to appear here today. My name is Hal Hudson, and I am State Director for the Kansas Chapter of National Federation of Independent Business. NFIB is the State's largest small-business advocacy group, with over 8,000 members who employ more than 100,000 Kansans. NFIB represents a broad cross section of Kansas employers who have one thing in common -- they all are small businesses. Over 80 percent of our members have 15 or less employees, and only one percent of our members employ over 100.

I don't need to remind you that small business is the engine that drives the Kansas economy. While large businesses are downsizing, and laying off workers by the hundreds, small businesses are providing the jobs. According to the Kansas Department of Commerce and Housing, 75-80 of all new jobs in the past several years have been created by small businesses.

I am here today to say that small business employers want tax relief. A reduction in unemployment compensation tax is relief you can grant now without impacting the revenues required for operation of state government. I would like to commend each of you who are sponsors on S.B. 235 for your support of this goal.

To the extent that S.B. 235 would reduce taxes for many small business owners, I would support its enactment... except that there must be a better way.

February 17, 1995
Commerce

Attachment 3

For those of us who are not well versed in this subject, S.B. 235 is extremely difficult to read and understand. Business owners with whom I have discussed this issue prefer H.B. 2305, which would grant a two-year moratorium for employers with positive fund balances. This would be followed by the 20 percent reduction in rates, as suggested by the Governor, after two years.

Of course, if this committee believes the fund could stand a 40 percent rate reduction after a two-year moratorium, that would be even better.

In a news release from our office on February 2, we said: "If enacted by the legislature, this bill (H.B. 2305) will put thousands of dollars back in the hands of small business owners, enabling them to create new jobs, improve benefits to present employees, or buy new equipment to expand their businesses. This is good news for most of the 8,000 Kansas members of NFIB."

I guess it should be said that S.B. 235 also is good news. However, by comparison, it appears to be only about 40 percent as good news as H.B. 2305.

No doubt, there are those who would grumble two years hence, when the tax comes back on. There always are those who complain about taxes. However, I believe most Kansas business owners are sophisticated enough in their understanding of this tax to know the fund must be maintained, and that a moratorium is only temporary relief.

I confess a lack of total comprehension of unemployment compensation law, rules and regulations, and I have some difficulty in understanding exactly what S.B. 235 would do for small business. I doubt if I can answer any complex questions, but I'll try, if there are any.

Thanks for your attention.

ABOUT NFIB / KANSAS

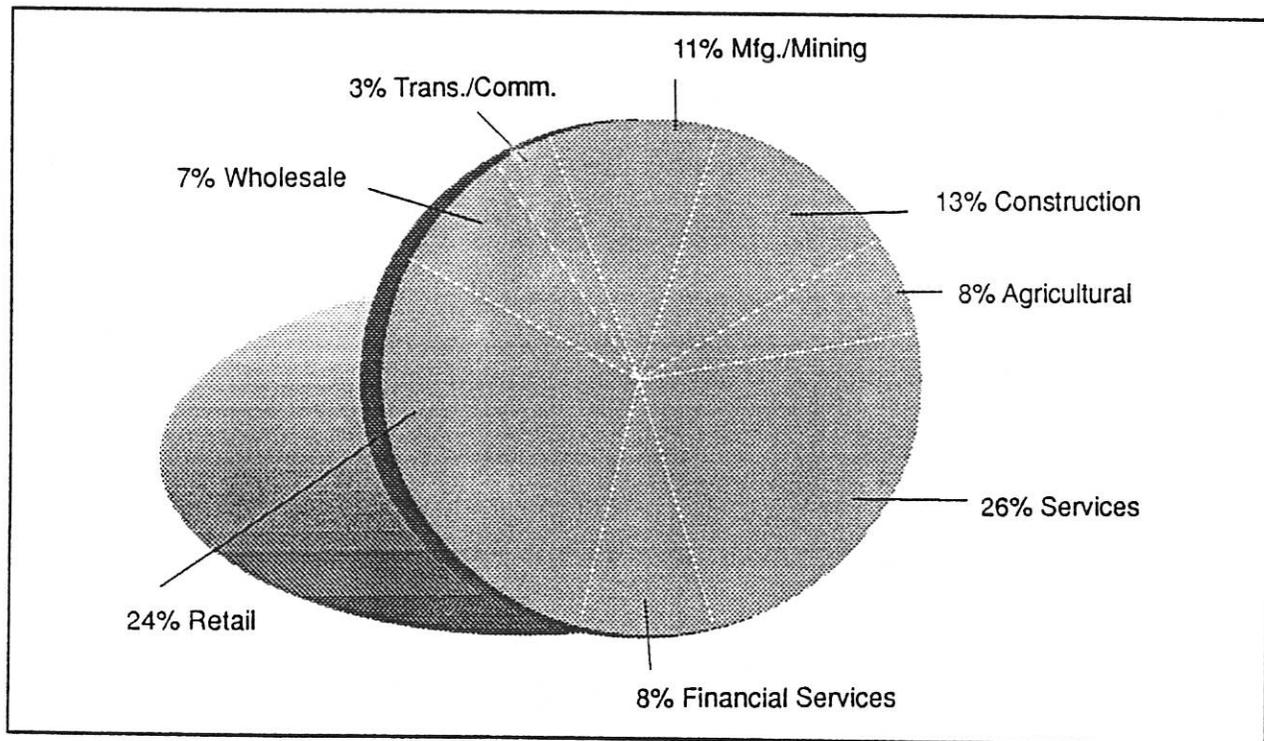
With nearly 8,000 members, the Topeka-based National Federation of Independent Business/Kansas is the state's largest small-business advocacy organization. Independent-business owners join the federation to have a greater say in the crafting of legislation and regulations that affect their lives and livelihoods.

NFIB/Kansas draws its members from all walks of commercial life: from family farmers to neighborhood retailers, from independent manufacturers to doctors and lawyers, from wholesalers to janitorial service firms.

Each year NFIB/Kansas polls its diverse membership on a variety of issues. The federation uses the poll results to form its legislative agenda, aggressively lobbying in support of positions approved by majority vote.

Because policy is determined by direct vote of the membership rather than by a steering committee or board of directors, NFIB/Kansas lobbyists have exceptional credibility as spokespersons for the entire small-business community. Rather than represent the narrow interests of any particular industry or trade group, NFIB/Kansas promotes the consensus view of small-and independent-business owners from throughout the state.

N F I B / K A N S A S M E M B E R S H I P by Industry Classification



NFIB Federal Legislative Office
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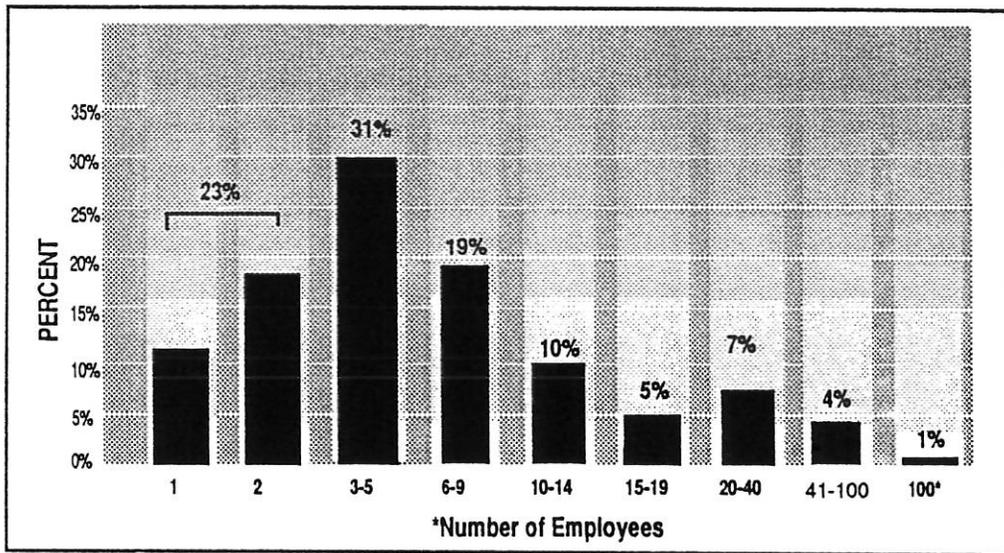
NFIB
National Federation of
Independent Business

N F I B / K A N S A S M E M B E R S H I P P R O F I L E

NFIB/Kansas represents the entire spectrum of independent business, from one-person "cottage" operations to quite substantial enterprises.

The typical NFIB/Kansas member employs five workers and rings up gross sales of about \$270,000 per year. In aggregate, the organization's members employ nearly 92,000 workers.

N F I B / K A N S A S M E M B E R S H I P by Number of Employees



N F I B / K A N S A S M E M B E R S H I P by Annual Gross Receipts

