

MINUTES OF THE HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Anthony R. Brown, at 1:30 p.m. on March 7, 2011, in Room 785 of the Docking State Office Building.

All members were present except:

Representative Mesa Excused

Committee staff present:

Renae Jefferies, Office of the Revisor of Statutes

Ken Wilke, Office of the Revisor of Statutes

Reed Holwegner, Kansas Legislative Research Department

Raney Gilliland, Kansas Legislative Research Department

Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Kathie Sparks, Deputy Secretary, Kansas Department of Labor

Andy Sanchez, Executive Secretary/Treasurer, Kansas AFL/CIO

Bill Goodlatte, Senior Vice President, Human Resources, LDF Companies

Others attending:

See attached list.

Chairperson Brown opened the hearing on **SB 77, Employment security law; interest payment assessment; duties of secretary.**

Kathie Sparks, Deputy Secretary, Kansas Department of Labor, distributed answers to questions that had been asked at the March 3rd meeting (Attachment 1).

Chairperson Brown recognized the following opponents of the bill to present testimony:

Andy Sanchez, Executive Secretary/Treasurer, Kansas AFL/CIO (Attachment 2).

Roger Taylor, Journeyman Electrician, written only testimony (Attachment 3).

Chairperson Brown recognized the following proponents of the bill to present testimony:

Bill Goodlatte, Senior Vice President, Human Resources, LDF Companies (Attachment 4).

The meeting adjourned at 2:23 p.m.

HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

1:30pm,

Room 785, Docking State Office Building

GUEST LIST

DATE: March 7, 2011

NAME	REPRESENTING
BILL GOODLATTE	LDF + SHRM
Kathie Sparks	KDOL
Sandy Sanchez	KS AFL-CIO
Tom Slaughter	Capital Strategies
JOHN POIZOR	SSG LLC
MIKE SCHULTZ	City of Brewster
Dalton Glasscock	
Ron Seeger	K6FA
John A. Tenley	KS Lusk Ass'n
Pete Routhier	Hein Law Firm
Sandy Braden	GBA
Kevin Brownlee	KDOL

MEMORANDUM

DATE: March 7, 2011
TO: Members of the House Committee on Commerce
FROM: Deputy Secretary Kathie Sparks, Kansas Department of Labor
SUBJECT: Information Related to Senate Bill 77

Senate Bill 77 contains the following provisions:

Section 1

1. **Allows Procurement of a Pooled Money Investment Board (PMIB) Loan (Page 1)**
 - For deposit into the employment security interest assessment fund
 - May not exceed \$3,000,000
 - Loan shall bear interest at a rate of 1.5%
 - Approved by Legislative Coordinating Council (LCC) September 12, 2011 and funds transferred to KDOL by September 23, 2011
 - Interest **payment** made by **September 30, 2011**
 - Loan must be repaid by June 30, 2012 – KDOL plans repayment no later than Feb. 1, 2012

Section 2

1. **Increase in Taxable Wage Base (Page 18)**
 - The current taxable wage base - \$8,000
 - 2012 - \$9,000
 - 2013 - \$10,000
 - 2014 - \$11,000 and for each calendar year thereafter
 - It is estimated that this provision will generate approximately \$45.8 million in 2012, \$79.9 million in 2013 and \$112.9 million in 2014, totaling **\$238.7 million in additional Trust Fund revenue** over the 3-year span.

Section 3

1. **3-year Look Back for the Extended Benefit (EB) Trigger (Page 26-27)**
 - Provision proposes extending the current two calendar year look back EB trigger to a three calendar year look back trigger.

2. **Reinstatement of Waiting Week** *(Page 32)*

- Reinstates law effective in Kansas from 1939 to 2007
- The provision does not affect the number of weeks of benefits available.
- On the fourth week of unemployment (current law), the claimant will receive one check instead of two.
- **Cost savings approximately \$11.5 million**

3. **Elimination of Benefit Eligibility for Relocating Spouses (Except Armed Forces)** *(Page 34)*

- Individuals who follow spouses to another location currently receive benefits. This provision would exclude this, except for spouses of military personnel who have no discretion over relocation.
- Became effective 04/13/1989
- **Cost savings approximately \$1.9 million**

Section 6

1. **Extension of 2010 HB 2676 Rates** *(Page 47)*

- HB 2676 provided reduced tax rates for positive balance employers in rate group 1 through 32 for CY 2010 and CY 2011.
- Proposes a 3-year extension of the reduced rates established in HB 2676 beginning in CY 2012 and ending in CY 2014.

Section 7

1. **Increase in Number of Negative Balance Employer Rate Groups and Surcharge** *(Page 62)*

- Expands the number of negative reserve ratio groups from 10 to 20 and increases the maximum allowable surcharge from 2.0% to 4.0%.
- For the three-year period beginning in 2012 and ending in 2014, the first ten rate groups of negative balance employers will pay an additional 0.1% surcharge.
- Estimated to create **\$25.5 million** in additional revenue over the 3-year period.

2. **Establishment of an Employment Security Interest Assessment Fund** *(Page 63)*

- Allows that funds collected from the surcharge paid by negative balance contributing employers will be used to pay interest due on Title XII advances.
- For the calendar year 2011, 50% of the surcharge will be paid into the newly established employment security interest assessment fund for the purpose of paying interest due.
- The secretary may adjust the amount of the surcharge to meet the necessary interest payment in succeeding years.

Section 8

1. **Conforming Language for Negative Balance Employer Surcharge** *(Page 73-85)*

Employer and UI Claimant Cost From All SB 77 Provisions

Year	Employer Type	Cost
2012	Positive	\$29,470,397
	Negative	\$23,838,375
	Ineligible	\$1,019,274
Total		\$54,328,045
2013	Positive	\$54,457,473
	Negative	\$32,250,337
	Ineligible	\$1,716,211
Total		\$88,424,021
2014	Positive	\$78,567,157
	Negative	\$40,489,950
	Ineligible	\$2,365,520
Total		\$121,422,628
Grand Total		\$264,174,694

Note: Includes taxable wage increase and negative balance employer surcharge increase.

Year	Claimant Benefit Reduction	Cost
2012	Waiting Week Reinstatement	\$11,452,037
	Elimination of Trailing Spouse	\$1,936,694
Total		\$13,388,731
2013	Waiting Week Reinstatement	\$11,452,037
	Elimination of Trailing Spouse	\$1,936,694
Total		\$13,388,731
2014	Waiting Week Reinstatement	\$11,452,037
	Elimination of Trailing Spouse	\$1,936,694
Total		\$13,388,731
Grand Total		\$40,166,193



President

Steve Rooney

Executive Secretary

Treasurer

Andy Sanchez

Executive Vice

President

Bruce Tunnell

Executive Board

*Jane Carter**Kurt Chaffee**Larry Horseman**Jim Keele**Larry Landwehr**Mark Love**Kevin McClain**Roger Maack**Mike Maloney**Jeff Manning**Chad Manspeaker**Lisa Ochs**Emil Ramirez**Clay Rodgers**Deb Shepard**Mark Shughart**Richard Taylor**Brian Threadgold**Jason Vellmer*

TESTIMONY

On Senate Bill 77

Before the House Commerce & Economic Development Committee

Presented by Andy Sanchez, Executive Secretary-Treasurer

KS AFL-CIO

March 7, 2011

Thank you Chairman Brown and members of the committee. I appreciate the opportunity to be here today and speak in opposition of SB 77. Certainly, one positive aspect of the bill is the recognition to begin to pay back federal dollars borrowed because employer contributions left the fund insufficient. However, if we are to climb out of the recession, we must continue to have the best possible safety net in place for Kansans, who through no fault of their own are without a job.

The system has worked for many. Not all, but some Kansans are returning to work. We should continue on course to help working families weather the storm. Each year at the capitol there is talk of a rainy-day fund, the concept of stocking away reserves for when we might need them the most. The Employment Security Trust Fund is the ultimate rainy-day fund. Such funds cannot be used for any other reason. But, in 1995 to 1999 employers enjoyed a moratorium on contributions. Sure, we had what we thought were adequate reserves, but it amounted to \$556 million dollars over that time that did not get put into the Trust Fund. From 2000 to 2002 because of a phase -in of increased tax rates for employers, rates were still at a reduced discount rate. In 2007 and 2008 alone the reduced rates amounted to \$300 million in saving for employers. Let's not forget that from 2004 to 2007 Trust Fund Revenues exceeded Trust Fund payouts. At the time we were talking about a shortage of a skilled and qualified workforce. That changed however in 2008 when payouts exceeded revenues.

Employers make business decisions based on numbers, the bottom line. It's dollars and cents with them. Businesses often must be conservative to weigh the risk on any investment they make in their business. Employers must think with a business sense about hiring new workers or investing in their business. That leaves a lot to chance on whether a business keeps capital circulating. Working families on the other hand spend money out of basic necessity. Needs may be different from family to family, but basic necessities have to be met (Example: Workers looking for work).

Last year I asked you to invest in Kansas Workers by sustaining benefits. Again, proposed cuts in benefits were paired with legislation to increase employer rates that would address a depleting Trust Fund. Again I urge you to stand by working families, they will maintain spending and carry us out of the recession. This, is the segway to a recovering economy. What it will mean is: Workers can remain in their house because the mortgage is being maintained, they can keep their house warm, they can transport themselves to their jobs and their kids can pursue their education dreams. Thus, let's not be hasty to remove the safety net of any portion of unemployment benefits. Thank you.

House Commerce & Economic
Development CommitteeDate: 03/07/2011Attachment #: 2-1

Testimony in Opposition of SB 77
House Commerce & Economic Development Committee
March 7, 2011

By Roger Taylor
105 SW Clay St
Topeka, Ks 66606

Good afternoon and thank you Chairman Brown and members of the Committee. I appreciate this opportunity to speak in opposition to SB 77.

My name is Roger Taylor I am a Journeyman Wireman out of Local 226 Topeka, Ks, and a father of three. I am currently unemployed at this time due to the lack of work. I am here today to inform you of how hard it is for the working man to survive on unemployment as it is and to ask that you take him in to consideration during your discussions of reinstating the waiting week, and taking away the option for benefits for relocating spouses.

UI benefits provide families with about 1/3 of the weekly income they are use to having but the bills and the rent still remain the same, along with groceries, school fees, and all the other things that come along in our daily lives. After all your expenses there is nothing left and in some cases its still not enough, so I find it pretty hard to think of unemployment as "Easy Street" or "The Good Life" I have traveled all over this country these last few years chasing every rumor and opportunity of work that I could find. I can tell you there is nothing like having to leave your family behind to find work in a strange place and it would be extremely hard to relocate my family to another location if I found permanent work elsewhere without the eligibility of UI benefits for my spouse.

I understand the importance of getting the UI Trust Fund back to solvency and I recognize you have a difficult job in finding the right solutions. But, the hardship you will inflict on unemployed workers and their families by reinstating the waiting week or eliminating the "trailing spouse" provision, feels like an extremely high price for the amount of money saved. I also understand that some may feel the need to spread the pain, so to speak. But there is a difference between pain and an outright death knell. Allow me to also submit to you, that unemployment benefits did not increase when total moratoriums on UI taxes were instituted by the Kansas Legislature in years past.

The waiting week was intended to allow agencies time for manual claim processing, a problem we don't face today with modern technology. It wasn't to punish or put extra burden and grief on common people. The working man doesn't enjoy unemployment, it eats at his pride just as much as it does his wallet. What I'm trying to say is please don't be fooled by the misconceptions that people are just milking benefits dry when in all honesty they are hurting worse and worse the longer they are unemployed. I truly wish I didn't have to stand here today and tell you how important one check means to a family but it does. Thank you for your time.

**Testimony for the Kansas House Commerce and Economic Development Committee
March 7, 2011, Topeka, Kansas, By Bill Goodlatte, The LDF Companies
10610 East 26th Circle North, Wichita, Kansas 67226-4536
P-316-636-5575 x2020 / F-316-636-5644 / bgoodlatte@ldfcompanies.com**

LDF owns 20 Wendy's restaurants and has 600 employees in Kansas. In late December of 2010, we got our annual Christmas present from the Kansas Department of Labor, notification that our SUTA taxes had increased AGAIN. This time by 93%, which will cost us an additional \$50,000 in 2011! That's on top of a 276% increase from 2009 to 2010! We, of course, had no way to predict these increases or to plan for them.

LDF EXPERIENCE	2009	2010	2011
KS SUTA Tax Rate	0.40%	1.35%	2.20%
KS SUTA Taxes	\$19,334	\$53,338	\$102,990 (Projected)

LDF also owns Wendy's restaurants in Oklahoma and Texas where our SUTA rates are less than half of what they are in Kansas. Our Oklahoma SUTA rate is 1.00% and our Texas SUTA rate is 1.05%.

We've never had a layoff at LDF! But, sometimes we have to fire employees for cause or poor performance. They almost always apply for and receive unemployment benefits. Many companies have regular layoffs, draining the Trust Fund and often leaving them in a negative position. A system that allows some employers to pay out up to 6.5 times more in benefits than they pay in, while we pay in more than 3 times as much as we pay out, makes absolutely no sense. We have paid in \$1,178,247, paid out \$353,425, have a positive balance of \$824,822 and our rates keep going up! It is unsustainable and it is not fair to punish positive balance employers such as LDF with higher taxes than negative balance employers.

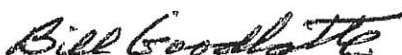
Unemployment benefits used to be a safety net for people who lost their jobs through no fault of their own and wanted to work. Our prior Secretary of Labor turned unemployment benefits into a welfare program that encourages people to stay home! He also reported that the Trust Fund was flush with cash just a few short months before he said it was bankrupt. As a result, he then began borrowing money from Washington that we now have to pay back with interest.

In 2009, maximum weekly unemployment benefits in Kansas were higher than those in 31 states including New York. **HIGHER THAN NEW YORK!** Last year, unemployed people in Kansas could collect up to \$436 a week for 86 weeks! This year it is \$435 a week! People turn down our job offers every day, telling us they might come back after their unemployment benefits run out!

We are very fortunate to have Karin Brownlee as our new Secretary of Labor. She has inherited a mess that will take some time to fix. So we support SB 77 as a first small step in the right direction. But our goal must be revising the system to give more predictability, be fair to all employers, restrict the granting of benefits, reduce benefit levels, and their duration. Then maybe unemployment insurance can be a safety net again, not a welfare program that encourages people to stay home and collect rather than look for work.

When taxes are raised beyond reason and programs are unfairly administered, companies have no choice but to lay off employees, close facilities, move to more business friendly states, or go out of business altogether. When a state is business friendly, companies start up, move in, grow and create new jobs. Let's work together to make Kansas more friendly and fair to all businesses!

Thank you for allowing me to testify,



Bill Goodlatte