

MINUTES OF THE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Susan Wagle at 8:30 a.m. on February 8, 2011, in Room 548-S of the Capitol.

All members were present.

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant
Mr. Ken Wilke, Office of the Revisor of Statutes
Mr. Reed Holwegner, Kansas Legislative Research Department
Ms. Dorothy Noblitt, Kansas Legislative Research Department

Conferees appearing before the Committee:

Mr. Eric Stafford, Senior Director of Government Affairs,
The Kansas Chamber
Mr. Blake Benson, President, Pittsburg Area Chamber of Commerce
Mr. Daniel Murray, Kansas State Director,
National Federation of Independent Business (NFIB)
Mr. Kenneth Daniels, Governmental Affairs Director,
Topeka Independent Business Association
Mr. Bill Goodlatt, Senior Vice President, Human Resources,
The LDIF Companies
Mr. Andy Sanchez, Executive Secretary- Treasurer, Kansas AFL-CIO

Others attending:

Please see attached list.

Hearing on SB77 – an act concerning the employment security act

Upon calling the meeting to order, Chairperson Wagle announced they would be having a hearing on **SB77**, an act concerning the employment security act and recognized the first of five proponents, Mr. Eric Stafford, Senior Director of Governmental Affairs, The Kansas Chamber. He stated the bill offered short-term and long-term solutions to restore stability to the Unemployment Fund, which is entirely funded by employer contributions including:

1. A plan to pay off the interest owed to the federal government through existing revenue streams, avoiding any additional surcharges on employers and retains the rate caps implemented in last year's **HB2676** for the next three-year, offering stability to employers. (Short-term solutions)
2. Increasing the taxable wage base over the next three years from \$8K to \$11K, helping speed up the federal loan payback, reinstating the waiting week, and eliminating the trailing spouse exemption with the exception for military spouses. (Long-term solutions.)

Lastly, he stated the Kansas Chamber supports **SB77**, they would like to express their desire to work over the coming year to review several proposals with the department that could bring positive changes to the UI fund which establish predictability to employer contribution rates without sacrificing the solvency of the fund.

A copy of his testimony is (Attachment 1) attached to and incorporated into the Minutes as referenced.

The Chair said that she would hold all questions until all have testified.

The second proponent recognized was Mr. Blake Benson, President, Pittsburg Area Chamber of Commerce, who stated the bill is a balanced way to modernize the system and replenish the UI insurance trust fund without an additional tax burden to employers, because it is not only business

CONTINUATION SHEET

The minutes of the Senate Commerce Committee at 8:30 a.m. on February 8, 2011, in Room 548-S of the Capitol.

that pay this tax, that could further threaten an already fragile economy. He went on to say not only were the UI tax increases surprising and costly, they unfairly penalized responsible employers trying to avoid layoffs in the middle of the worst recession Kansas has seen in decades stating even the Chamber, with a staff of six, saw its experience rating go to the maximum of 5.4% despite the fact that they have not had an unemployment claim against them for years.

Lastly, he stated the bill would:

1. Help restore employers' confidence in the system by adjusting benefits and fairly increasing the burden on negatively balanced employers.
2. Bring stability to the trust fund and allow the state to meet its obligations without further risk to economic recovery; and,
3. While it would increase the wage base over three years, it would also allow employers to return to the experience rating they had prior to 2010.

A copy of his testimony is (Attachment 2) attached and incorporated into the Minutes as referenced.

Next to testify was Mr. Daniel Murray, Kansas State Director, National Federation of Independent Business (NFIB) who stated he found himself in the very uncomfortable position of supporting what will be a tax increase on their employers' members but circumstances have led us to a point in history where we must choose the lesser of all evils.

He said their members pay the unemployment tax with the understanding that their dollars will be used properly and judiciously, however, he continues to hear one horror story after another regarding abuse and concerns with the appeals process. (An NFIB Kansas Leadership Council member sent him the following concerns regarding unemployment being abused: an employee of his quit, but on appeal was granted unemployment because "he did not mean it." He had to fire an employee for embezzlement and being drunk on the job, and this person was granted unemployment saying the system was intended to help people when they "lose" their job due to circumstances beyond their control.)

Finally, he said the most recent NFIB Small Business Economic Trends edition, which measures the confidence of small business owners conclude, "It appears that the small business sector remains in a "rut, unable to find reasons to ramp up hiring and capital spending." He urges the legislatures to do all it can to improve the business tax climate. A copy of his testimony is (Attachment 3) attached and incorporated into the Minutes as referenced.

The fourth proponent was Mr. Kenneth Daniel, Governmental Affairs Director, Topeka Independent Business Association and Chairman of the Board of Midway Wholesale, stated:

- 1.) As shown by the history of Midway's Unemployment Payments included at the end of this testimony, the rates are highly variable from year to year.
- 2.) In spite of the fact that they have not had a single year in the past ten years where the benefits charged were greater than the contributions paid, they have paid in 2.5 times as much as has been paid out in benefits over that time,

He went on to say they must have greater predictability than they have had in the past, especially when it is a virtual certainty they will be called upon to pay even higher premiums to pay interest to the federal government and rebuild the Kansas Trust Fund.

CONTINUATION SHEET

The minutes of the Senate Commerce Committee at 8:30 a.m. on February 8, 2011, in Room 548-S of the Capitol.

Lastly, he offered an attachment of Midway Wholesale's 2011 Unemployment rating notice. A copy of his testimony and attachment are (Attachment 4) attached and incorporated into the Minutes as referenced.

The final proponent was Mr. Bill Goodlatte, Senior Vice President, Human Resources, The LDF Companies, who stated LDF owns 20 Wendy's Restaurants and has 600 employees in Kansas and in late December of 2010, received their annual notification from the Kansas Department of Labor stating their SUTA rates had increased again, this time by over 60% which will cost them an additional \$50K in 2011, with of course, no way to have predicted or planned for this increase.

He went on to say they have never had a layoff but sometimes they do have to fire employees for cause or poor performance and these employees always apply for and receive unemployment benefits. He said many companies have regular layoffs, draining the trust Fund and often leaving them in a negative position. And a system that allows some employers to pay out 4 to 6.5 times the amount of benefits than they pay in while companies like LDF pays in more than three times as much as they pay out, absolutely makes no sense. It is not sustainable and it is not fair to punish positive balanced employers with higher taxes than negative balanced employers.

Lastly, he said they support the bill as a first small step in the right direction, but the goal however, must be to revise the system to give more predictability, be fair to all employers, reduce benefit levels, their duration, and the granting of benefits, so we can return unemployment insurance to being a safety net again instead of a welfare program that allows people to stay home and collect rather than look for work. A copy of his testimony is (Attachment 5) attached and incorporated into the Minutes as referenced.

The Chair then called on the only opponent available to testify at today's meeting, Mr. Andy Sanchez, Executive Secretary-Treasurer, Kansas AFL-CIO, who stated the system has worked for many and we should continue on course to help working families weather the storm with the most concerning issue being the rainy day concept, how we could stock away reserves when we might need them the most. He said the same could be said for the Employment Security Trust Fund but:

1. From 1995 to 1999 employers enjoyed a moratorium on contributions amounting to \$556M over that time that did not get put into the Trust Fund.
- 2.) From 2000 to 2002 because of a phase-in of increased tax rates for employers, rates were still at a reduced discount rate.
- 3.) In 2007 and 2009 alone, the reduced rates amounted to \$170M in savings for employers. He said let's not forget that from 2004 to 2007, Trust Fund Revenues exceeded Trust Fund payouts and we were talking about a shortage of a skilled and qualified workforce but that changed however, in 2008 when payouts exceeded revenues.

Lastly he stated that employers must think with a business sense about hiring new workers or investing in their business but working families on the other hand spend money out of basic necessity. A copy of his testimony is (Attachment 6) attached and incorporated into the Minutes as referenced.

The Chair thanked the conferees and asked if there were questions or comments which came from Senators Lynn, Wagle, Faust-Gaudeau, Merrick, and Holland, including:

1. To Mr. Murray, what is business saying about what they are going to be doing if we cannot address the predictability issue, what do they do if they have a cash flow problem, and can you get a sense of how many businesses might be leaving the state? And, are businesses across the nation complaining?

CONTINUATION SHEET

The minutes of the Senate Commerce Committee at 8:30 a.m. on February 8, 2011, in Room 548-S of the Capitol.

2. To Mr. Sanchez, would your organization have an objection to a compromise loosening the trailing spouse but keep the waiting week? Do you think there has been abuse in the system? A clarification of "trailing spouse" was asked. (Chairperson Wagle explained.)

3. To Mr. Stafford, referring back to the issue of predictability, asked him to explain a little more specifically about unemployment insurance when you talk about predictability for businesses. Do you think part of why we are here today is because of fraud against the trust fund? If we had not had the freeze in the rates between 2007 and 2009, and you talk about Kansas having one of the largest jumps in the nation, how large would that rate increase been if there had been no moratorium?

A discussion ensued regarding the waiting week, with the Chair called on Ms. Kathie Sparks, Deputy Secretary, Department of Labor to clarify what disqualifies you from getting benefits.

Adjournment

As it was going on 9:30 a.m., the Chair adjourned the meeting stating the hearing on this bill would continue tomorrow. The meeting adjourned at 9:31 a.m.

The next meeting is scheduled for February 9, 2011.

SENATE COMMERCE COMMITTEE GUEST LIST

DATE: Tuesday, February 8, 2011

NAME	REPRESENTING
ISREAL T. OWENS	WORKERS
Chad Manspeaker	Laborers' 1290
Bruce Tunnell	AFL-CIO
Andy Sanchez	KS AFL-CIO
Ron Seiber	KAFA.
Beth Krause	Sen. Holland
Mandy Miller	SCOKS
Derek Hen	HEIN LAW FIRM
ERIC BENEDICT	INTERIN TO CHAIRWOMAN WAGLE
ROD MEALY	KEARNEY & ASSOC.
Michelle Butler	Cap. Strategies
Bill Goodlatte	LDF SHRM
Caleb Reid	Sen. Pyle
Kevin Brownlee	KDOL
Kathie Sprad	KDOL
Jesko Kaufman	KS Coop Council
Jim Maag	Spirit Aero Systems

Legislative Testimony

SB 77

February 8, 2011

Senate Commerce Committee

Eric Stafford, Kansas Chamber

Chairwoman Wagle and members of the Committee:

We appreciate the opportunity to provide testimony in support of Senate Bill 77. My name is Eric Stafford. I am the Senior Director of Government Affairs for the Kansas Chamber.

The Kansas Chamber is pleased to support Senate Bill 77 which provides some short-term and long-term solutions to restore stability to the Unemployment Fund, which is entirely funded by employer contributions.

Since the downturn in late 2008, the fund has gone from a \$700 million plus balance to our state having to borrow money from the federal government for benefit payments. The Department of Labor anticipates Kansas will borrow approximately \$220 million in total.

Some of the short-term solutions in SB 77 include a plan to pay off the interest owed to the federal government through existing revenue streams. This avoids any additional surcharges on employers. Second, this bill retains the rate caps implemented in last year's HB 2676 for the next three years, offering stability to employers some of whom have experienced significant rate increases over the past 18 months.

Several long-term fixes include increasing the taxable wage base over the next three years from \$8,000 to \$11,000. This helps speed up the federal loan payback. Several other fixes include reinstating the waiting week and eliminating the trailing spouse exemption with an exception for military spouses.

Although the Kansas Chamber supports SB 77, we would like to express our desire to work over the coming year to review several proposals with the department that could bring positive changes to the UI fund which establish predictability to employer contribution rates without sacrificing the solvency of the fund.

Thank you for the opportunity to speak to you in support of Senate Bill 77. I would be happy to answer any questions.

The Kansas Chamber, with headquarters in Topeka, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to do business. The Chamber represents small, medium and large employers all across Kansas.

*Senate Commerce Committee
Date: February 8, 2011
Attachment 1.*





Legislative Testimony

Support of Senate Bill 77

February 8, 2011

Testimony before Senate Commerce Committee

Blake Benson, President, Pittsburg Area Chamber of Commerce

Good morning, Madam Chairwoman and members of the committee. On behalf of the Pittsburg Area Chamber of Commerce and the more than 500 employers we represent throughout southeast Kansas, I'm here today to express our support for Senate Bill 77. It's a responsible, balanced way to modernize the system and replenish the unemployment insurance (UI) trust fund without an additional tax burden on our employers that could further threaten an already fragile economy.

I say employers, because it's not only businesses that pay this tax. Pittsburg State University, our largest employer and regional economic engine, saw a UI tax increase equal to a 1% tuition hike in 2010. That's money they were not able to spend educating students. NPC, International, the world's largest Pizza Hut franchise based in Pittsburg, saw their Kansas UI tax *increase* by \$400,000 a year ago. This came about five months after NPC made the proactive decision to relocate an off-shore call center to Pittsburg, which added 160 local jobs. This is no way to encourage investment in our state.

Not only were the UI tax increases surprising and costly, they unfairly penalized responsible employers trying to avoid layoffs in the middle of the worst recession our state has seen in decades. Even our organization, with a staff of six, saw its experience rating go to the maximum of 5.4% despite the fact that we hadn't had an unemployment claim against us for years. This was the norm for most of the state's employers, just as many were beginning to add jobs back into the economy.

However, our employers know this spike was necessary for the state to meet its obligations. It was an extraordinary situation that called for extraordinary measures. At the same time, we cannot expect employers to sustain this considerable burden while also asking them to lead our economic recovery.

Senate Bill 77 would help restore employers' confidence in the system by adjusting benefits and fairly increasing the burden on negatively balanced employers. It would also bring stability to the trust fund and allow the state to meet its obligations without further risk to economic recovery. While it would increase the wage base over three years, it would also allow employers to return to the experience ratings they had prior to 2010.

On behalf of the employers in our area, I encourage to support Senate Bill 77 as it is the most fair and responsible solution to this issue facing our state and its economic recovery. Thank you for your time and consideration.

*Senate Commerce Committee
Date: February 8, 2011
Attachment 20*



The Voice of Small Business®

Testimony by Mr. Daniel Murray
Kansas State Director, National Federation of Independent Business

Senate Commerce Committee
Tuesday, February 8, 2011

Good afternoon, Chairwoman Wagle and members of the Committee. My name is Dan Murray and I am the State Director of the National Federation of Independent Business/Kansas. NFIB/KS is the leading small business organization representing small and independent businesses. A nonprofit, nonpartisan organization founded in 1943, NFIB/KS represents the consensus views of its over 4,100 members in Kansas. I am here in support of SB77 and the proposed amendments.

First, I want to thank Secretary Brownlee and the Department of Labor staff for reaching out and working with the business community to find a sensible solution that does the least amount of harm to our state's job creators. With this bill, I find myself in the very uncomfortable position of supporting what will be a tax increase on our employer members. However, circumstances have unfortunately led us to a point in history where we must choose the lesser of all evils.

Second, with our support of SB77 and the proposed amendments, we hope that this is the first step in addressing the solvency of the employment security trust fund. The Department of Labor must take measures to ensure that the unemployment insurance payments are disbursed to those that truly deserve the assistance. Our members pay the unemployment tax with the understanding that their dollars will be used properly and judiciously. However, I continue to hear one horror story after another regarding abuse and concerns with the appeals process.

An NFIB/Kansas Leadership Council member, who could not be here today, sent me the following concern which typifies the sentiment of the majority of NFIB members:

"My major problem with unemployment is that it is being abused to the max. An employee of mine quit, but on appeal was granted unemployment because 'he did not mean it'. I fired an employee for embezzlement and being drunk on the job. He was granted unemployment! The system was intended to help people when they 'lose their job' due to circumstances beyond their control. It is being used as a way to get time off with pay. The system needs to be fixed! If it quits giving money away, it would not need to be replenished as fast."

We have full faith in the efforts that Secretary Brownlee and her staff are making to ensure our precious resources are being managed properly and we look forward to working with the Department moving forward.

Finally, the most recent NFIB Small Business Economic Trends edition, which measures the confidence of small business owners, concludes: "it appears that the small business sector remains in a 'rut', unable to find reasons to ramp up hiring and capital spending." An increase in unemployment taxes will likely not improve this outlook. So, we urge the legislature to do all it can otherwise to improve the business tax climate and regulatory/legal system in Kansas.

Again, NFIB/Kansas supports SB77 and looks forward to working with stakeholders in making the Kansas unemployment insurance system the best in the nation.

Small Business Isn't Small

Collectively, small business isn't small. It represents over 97 percent of all employer firms and provides employment to 54.7% of the non-farm private work force in Kansas. It pays 44 percent of total U.S. private payroll. In the past fifteen years, it has annually generated 64% of net new jobs. It generates more than 50% of the gross domestic product. It possesses half of the business wealth in the U.S.

*Senate Commerce Committee
Date: February 8, 2011
Attachment 3*



Midway Sales & Distributing, Inc. d/b/a

MIDWAY WHOLESALE

Topeka • Salina • Lawrence • Manhattan • Elwood • Kansas City • Wichita
Grand Island • Garden City

TESTIMONY ON KANSAS UNEMPLOYMENT INSURANCE SENATE COMMERCE COMMITTEE

By **Kenneth Daniel**

February 8, 2010

Kenneth L. Daniel is a volunteer lobbyist who advocates for Kansas small businesses. He is C.E.O. of Midway Wholesale, a business he founded in 1970. He is the Governmental Affairs Director of the Topeka Independent Business Association. He is also the Legislative Affairs Director of the Kansas Roofing Association.

Madame Chairwoman and Members of the Committee:

I would like to speak in favor of Senate Bill 77. As one can see by the history of Midway's Unemployment Payments shown at the end of this testimony, the rates are highly variable from year to year. In spite of the fact that we have not had a single year in the past ten years where the benefits charged were greater than the contributions we paid, we have paid in 2.5 times as much as has been paid out in benefits over that time.

We MUST have greater predictability than we have had in the past, especially when it is a virtual certainty we will be called upon to pay even higher premiums to pay interest to the federal government and rebuild the Kansas Trust Fund.

With this bill, we expect to pay much more in the next three years than would be dictated by our past performance, but we are willing make that sacrifice in hope that we will enjoy more predictability and fairness in the future.

For your information, attached is Midway Wholesale's 2011 Unemployment rating notice.

HISTORY OF MIDWAY'S UNEMPLOYMENT CONTRIBUTIONS

	Rate Group	Contribution Rate	Contrib. Paid	Benefits Charged
Through FY2003			106740	41349
FY2004	29	3.36	24120	16547
FY2005	32	4.07	35669	6013
FY2006	19	2.04	24557	6341
FY2007	23	1.08	14403	0
FY2008	27	1.40	14572	11803
FY2009	33	2.20	24266	814
FY2010	24	5.40	41373	32523
FY2011	29	4.74		
TOTALS			287,700	115,390

*Senate Commerce Committee
Date: February 8, 2011
Attachment 4*

KANSAS

DEPARTMENT OF LABOR

S.W. Topeka Boulevard
Topeka, Kansas 66603-3182

2011 EXPERIENCE RATING NOTICE

DATE MAILED: 12-13-2010

ACCOUNT NO.: 112997

202
MIDWAY SALES-DISTRIBUTING INC
PO BOX 1246
TOPEKA KS 66601-1246

2011 TAXABLE
WAGE BASE: 8,000.00

	CONTRIBUTIONS PAID	BENEFITS CHARGED	TAXABLE PAYROLL
PRIOR YEARS THRU JUNE 30, 2009	244,327.78	82,867.74	2007 1,115,473.37
FOR FISCAL YEAR ENDED JUNE 30, 2010	41,373.10	32,523.00	2008 1,142,629.90
TOTALS	285,700.88	115,390.74	2009 1,082,589.86
			TOTAL 3,340,693.13
ACCOUNT BALANCE IS:	170,310.14	(Contributions Paid Less Benefits Charged)	Average of Taxable Payrolls Shown is → 1,113,564.37

RATE COMPUTATION

ACCOUNT BALANCE	÷	AVERAGE ANNUAL TAXABLE PAYROLL	=	RESERVE RATIO	RATE GROUP	YOUR CONTRIBUTION RATE FOR
170,310.		1,113,564.		15.294	29	2011 IS 4.74 %

IF YOU HAVE ANY QUESTIONS REGARDING YOUR 2011 CONTRIBUTION RATE COMPUTATION SHOWN ABOVE or the VOLUNTARY CONTRIBUTION COMPUTATION SHOWN BELOW, CONTACT: NICI TEBBUTT PHONE: 785-296-5031

If you desire to make a voluntary contribution to reduce your tax rate, cut off this portion and return it with your remittance

VOLUNTARY CONTRIBUTION COMPUTATION

	Lower Reserve Ratio Is	X	Average Annual Taxable Payroll	=	Account Balance Required to Lower Rate	-	Present Account Balance	IS	Amount of Voluntary Contribution Required to Lower Tax Rate	If you select this option your New Rate is:
OPTION I:	.15313		1,113,564.		170,521.		170,310.		211.	4.57 %
	FOR RATE GROUP 28									
OPTION II:	.15556		1,113,564.		173,227.		170,310.		2,917.	4.40 %
	FOR RATE GROUP 27									
OPTION III:	.15819		1,113,564.		176,155.		170,310.		5,845.	4.23 %
	FOR RATE GROUP 26									
OPTION IV:	.16035		1,113,564.		178,561.		170,310.		8,251.	4.06 %
	FOR RATE GROUP 25									
OPTION V:	.16197		1,113,564.		180,365.		170,310.		10,055.	3.89 %
	FOR RATE GROUP 24									

FILL IN YOUR OPTION AND AMOUNT OF PAYMENT: OPTION _____ \$ _____

ACCOUNT NO. 112997 Your voluntary contribution must be postmarked by: 01-12-2011

>OVER<
APPEAL RIGHTS

Signature of Owner, Partner or Corporate Officer

4.2

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**Testimony for the Kansas Senate Commerce Committee
February 8, 2011, Topeka, Kansas**

**By Bill Goodlatte, Senior Vice President, Human Resources, The LDF Companies
10610 East 26th Circle North, Wichita, KS 67226
P-316-636-5575 x2020 / F-316-636-5644 / bgoodlatte@ldfcompanies.com**

Dear Members of the Committee:

I would like to thank you for the opportunity to submit the following testimony as you consider the unemployment insurance issues currently facing us in Kansas.

LDF owns 20 Wendy's Restaurants and has 600 employees in Kansas. In late December of 2010, we received our annual Christmas present from the Kansas Department of Labor, notification that our SUTA rates had increased... AGAIN. This time by over 60%, which will cost us an additional \$50,000 in 2011! With, of course, no way to have predicted or planned for this increase.

We've never had a layoff at LDF! But, sometimes we do 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 4 to 6.5 times the amount of benefits than they pay in while we pay in more than 3 times as much as we pay out makes absolutely no sense. It is not sustainable and it is not fair to punish positive balanced employers such as LDF with higher taxes than negative balanced employers.

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

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 unemployment benefits in Kansas were higher than those in 32 states including New York and Washington, DC! 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 of the week, telling us they will consider accepting the job after their unemployment benefits run out!

We are fortunate to have Karin Brownlee as our new Secretary of Labor, but she has inherited a mess that will take time to fix. So we support SB 77 as a first small step in the right direction. Our goal, however, must be to revise the system to give more predictability, be fair to all employers, reduce benefit levels, their duration, and the granting of benefits, so we can return unemployment insurance to being a safety net again instead of a welfare program that allows people to stay home and collect rather than look for work.

When taxes are raised beyond reason and programs are not administered fairly, 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 friendly to all businesses again!

Thank you for permitting me to testify,

Bill Goodlatte

Bill Goodlatte

*Senate Commerce Committee
Date: February 8, 2011
Attachment 5*



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
Chad Manspeaker
Lisa Ochs
Emil Ramirez
Clay Rodgers
Deb Shepard
Mark Shughart
Richard Taylor
Brian Threadgodd
Jason Vellmer

TESTIMONY

On Senate Bill 77

Before the Senate Commerce Committee

Presented by Andy Sanchez, Executive Secretary-Treasurer

KS AFL-CIO

February 8, 2011

Thank you Chairwoman Wagle 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. Perhaps most concerning is the rainy day concept, because we talk about it here all the time and how we could stock away reserves when we might need them the most. The same could be said for the Employment Security Trust Fund. 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 \$170 million in saving for employers. Let's not forget that from 2004 to 2007 Trust Fund Revenues exceeded Trust Fund payouts. Remember, 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. (Examples of workers in audience).

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.



*Senate Commerce Committee
Date: February 8, 2011
Attachment 6*

