

SUPPLEMENTAL NOTE ON SENATE BILL NO. 83

As Amended by House Committee of the Whole

Brief*

SB 83 would amend employment security law by adjusting employer contribution rates. For rate years 2007 and 2008, the following unemployment employers' contribution rates would apply:

- For new employers, the rate would be 4.0 percent of wages paid during the calendar year except for new employers engaged in the construction industry would pay a 6.0 percent rate. (Under current law, the rates are between 0.462 to 0.591 percent for new employers.)
- For experienced employers with a positive balance in the employer account at the Kansas Department of Labor would pay the following:
 - Rate Groups 1 through 5 – Zero
 - Rate Groups 6 through 28 – 50.0 percent of current rate
 - Rate Groups 29 through 51 – 60 percent of current rate

The bill would provide that if the Employment Security Trust Fund balance falls below a prescribed amount, the reduction for 2008 would not occur. Finally, the bill would amend the definition of "employer" under the employment security law to include anyone who employs one or more persons for any part of a day during a calendar year.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

In addition, the bill would do away with the waiting week requirement for employees' unemployment benefits beginning on July 1, 2007, for new benefits filed, and ending June 30, 2009.

Background

Proponents for the bill appearing before the Senate Committee included the Secretary of the Kansas Department of Labor; Dr. Charles Krider; and representatives from the AFL-CIO, Kansas Grain and Feed Association, Lenexa Chamber of Commerce, the National Federation of Independent Business, and the Kansas Chamber of Commerce and Industry. An individual also appeared.

A staff person from the Kansas Department of Labor pointed out in testimony that the bill would be retroactive to January 1, 2007, therefore, if possible, the bill would need to be enacted by early March 2007 in order for the employers to receive the reduction for 2007.

According to the Kansas Department of Labor, the following information outlines the savings to employers:

| Calendar Year | Savings for Employers |
|---------------|-----------------------|
| 2007 | \$71.2 million |
| 2008 | \$83.4 million |

The House Committee of the Whole amended the bill by deleting the waiting week requirement for new unemployment claims from July 1, 2007 to June 30, 2009.

The fiscal note states that the Department of Labor estimates the bill would reduce the amount of taxes collected and deposited in the Unemployment Insurance Trust Fund by an estimated \$35.6 million for FY 2007, encompassing the last

half of the fiscal year, \$77.3 million for FY 2008, and \$41.7 million for the first half of FY 2009. The Department indicates this rate reduction can be implemented without an adverse fiscal effect on the Unemployment Insurance Trust Fund because of its large reserves. The Department indicates the bill would require modifications to the Unemployment Insurance computer system. The required programming to implement this bill would be performed by existing staff of the Department. All costs associated with the implementation of the bill could be funded within existing resources of the Department of Labor.