

**Proponent Testimony on Substitute for HB 2570**  
**Senate Committee on Commerce**  
**Kansas Secretary of Labor, Amber Shultz**  
**March 7<sup>th</sup>, 2024**

Madam Chairwoman & Committee Members,

Good morning - on behalf of the Kansas Department of Labor, I welcome the opportunity to submit testimony on HB 2570. Rather than go through the entirety of the testimony that we shared at the joint hearing in February, I will focus my remarks on the KDOL modernization priorities, marked with a double-asterisk (\*\*) for your convenience. In addition, I will provide comments on the proposed amendment addressing a conformity issue raised by US DOL in the bill as it passed out of House Commerce, Labor, and Economic Development.

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I would like to begin by addressing the provisions our agency requires to bring the modernization project across the finish line.

**Begin Benefit Year on a Sunday\*\* (Page 3)**

The language changes a benefit year to always begin on a Sunday.

A benefit year is defined as the year after a worker establishes a claim for UI benefits and during which the worker must claim their allotted weeks of benefits. For example, if a claimant is allotted 16 weeks of benefits, they can only claim those benefits within their benefit year. Current practice is for a benefit year to start on a Sunday and end 365 days later. A claimant's next benefit year, therefore, might not start on a Sunday. Benefit years cannot overlap.

This simple change will save considerable time, effort, and money by eliminating the need for customized programming for the new UI system. This change will have no negative impacts on employers or claimants. Additionally, the change improves the overpayment process and timeliness and quality metrics.

**Charging Notices Sent Quarterly\*\* (Page 60)**

The language changes the frequency employers receive their notice of benefit charges from annually to quarterly.

A benefit charge notice is an employer's report of all unemployment claims against them. Claims filed against an employer are part of their tax calculation for the following year. Kansas is one of only a few states that sends charge notices annually.



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This functionality is in the base UI system. Not only will this change save resources avoiding unnecessary customization, but the change will also benefit employers by providing more timely information.

**Remove (2)(H)\*\* (Pages 54)**

This language states that an employer is not charged should the pro-rated share of their potential benefit charges be less than \$100. While we are unsure why this statute was included over 30 years ago, we believe it was to ease administrative costs associated with the mailing of potential charge notices and protests. This is far less burdensome now with SIDES in place and electronic protests available.

**State Unemployment Tax Act Amendments\*\* (Page 73)**

This portion changes the mid-year combination of tax rates when a business acquires another business. The combination would begin the year after the acquisition for all businesses regardless of controlling interest.

Per current statute, any business acquisition with the same controlling interest is required to combine rates the following quarter. Then, a new account must be set up for the new, combined rate. Rates are based on the calendar year and therefore even the modernized software must create a new account with the new combined rate.

If an acquisition does not have the same controlling interest, and the employer elects transfer of factors, no new account number is needed as the rate is combined the following calendar year.

These two processes create inconsistency and additional work for employers when two accounts are assigned in the same year. This is burdensome for all involved because employers are required to continue to report on both the established account and the new combined-rate account in the following quarter. Many of these employers are large entities that utilize payroll companies, that then may erroneously report on the wrong account.

Employers have also expressed concern that it delays their ability to have the Feds validate their federally required documentation because now there are two accounts for the State Unemployment Tax Act (SUTA tax) under their one Federal Employer Identification Number (FEIN) in the same tax year.

Most combined rates stay the same or vary little from the previous rate. By the time the rates are ultimately combined mid-year, the employer has already met the taxable wages requirement. So, it is not until the following year that the employer is affected by the combined rate.

This change will ensure that all acquisitions are treated consistently, and it reduces

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customization costs for modernization programming, ending this confusing practice for employers and KDOL staff.

**Online filing\*\* (Pages 87)**

This language lowers the threshold for businesses that can opt out of online filing to businesses with 25 employees from 50 employees. Online filings include quarterly wage reports and unemployment tax returns.

Please note that payments would still be allowed to be mailed to the agency. Currently, in Q3 of 2023, we received 16 hard copy filings for employers between 25 and 50 employees.

This change continues the agency's objective to modernize all UI processes which reduces resources.

**Extending the UI Modernization Project Deadline (Page 98) \*\***

Lastly, while the current iteration of Sub for HB 2507 does not reflect this, our original position on extending the UI modernization project deadline to December 31, 2024, is still the agency preference. For each of the three previous extensions we have requested, the agency has asked the deadline to be December 31, 2024, which aligns with our current launch window. We submit that extending the deadline to December 31, 2024, is appropriate.

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Next, I would like to address the language of the proposed amendment to address the US DOL conformity issues.

**Management of Negative Balance Employers' Experience Rating (proposed amendment, current language (Page 63)**

Stakeholders proposed the original language. Upon informal review by US DOL, this section of policy was deemed out of conformity. The one-time write-off of balances of active, negative-balance employers needs to apply in ensuing years. New language that mirrors language currently in place in New York has been sent to US DOL for review. Upon completion of the USDOL conformity review, KDOL will work with stakeholders to timely update section seven in the HB2570. We support this language.

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In summary, the agency appreciates the efforts of the stakeholders and respective committee chairs working on this proposed legislation.

As I stated at the beginning of my testimony, KDOL requires the pieces marked by \*\*. I thank you and the committee for your time and willingness to work with our agency to modernize the Kansas Unemployment Insurance system. I will stand for questions at the appropriate time.