



**Testimony for the KS House
Commerce and Economic Development Committee
HB 2638 – Employment security law; eligibility for certain benefits,
abolish Employment Security Advisory Council, notice requirements.**



February 16, 2012
Topeka, Kansas

**Submitted on behalf of The Kansas State Council of the
Society for Human Resource Management (KS SHRM)**

**By Phillip M. Hayes, SPHR
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Dear Members of the Committee:

My name is Phillip M. Hayes and I am here today on behalf of The Kansas State Council of the Society for Human Resource Management (KS SHRM) in support of House Bill 2638. I am Vice President of HR Services and Operations for The Arnold Group, A Human Resource Company in Wichita, Kansas. As an HR professional with 14 years of experience, my focus is on people and employee development with extensive experience in recruiting, employee development and effective succession planning. I have been a local, state and national SHRM member for 14 years and currently serve as KS SHRM Director-Elect.

For those unfamiliar with KS SHRM, it is a professional organization comprised of 2,300+ HR professionals in Kansas. KS SHRM serves the needs of HR professionals and advances the interests of the HR profession in the state. It is KS SHRM's mission to proactively provide our members with educational resources on effective HR practices and strategic workforce issues. As HR professionals, our members are responsible for developing and implementing workplace policies and practices that comply with federal, state, and local laws and provide guidance to line managers on fair and effective people management. Our members serve public and private sectors as well as large and small businesses. The focus of the HR professional is to facilitate between the employer and employee so that a safe and productive work environment is achieved. On a daily basis our members are on the front lines when it comes to important employment issues:

- Workforce Planning and Employment
- Human Resource Development
- Compensation and Benefits
- Employee and Labor Relations
- Workers' Compensation
- Unemployment Insurance

In regards to HB 2638, KS SHRM has surveyed our membership consistently over the past several years regarding concerns with the KS unemployment insurance system. The changes outlined in HB 2638 address many of the frustrations and structural changes KS SHRM members are concerned about and areas we feel can be improved upon.

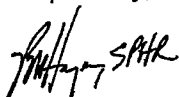
1. Currently, holiday pay is not treated as wages under the current statute definition. If an employer offers paid holidays and an employee receives such pay, why then are they allowed to receive partial unemployment benefits for said week(s)?
2. Next the bill provides modified language regarding the interpretation of severance pay. Current law allows for a terminated employee that is provided a lump sum severance amount (i.e. 2 weeks' pay, 6 months' pay, etc.) to collect unemployment benefits immediately following that last wage check. However, if a severance pay plan is established to pay the severance over the course of weeks or months, the employee cannot collect UI benefits until the last check is received. The new language would simply apply a simple formula to calculate the number of weeks the lump sum equals in relation to the employee's average earned weekly wage and establish a benefit date based on this calculation.
3. From a pure economic development standpoint, KS SHRM believes that our current UI rate for new KS employers are less than competitive when you compare KS to the Midwest states and specifically our neighboring states. In fact, Kansas has the highest rate for new employers in the nation. *See attached.* KS SHRM supports lowering the new employer rate to 2.7%, which is half of the 5.40% maximum rate for positive balanced employers in the state. KDOL has strongly advocated the construction industry remain at the 6.00% rate, which is in line with many of the states previously mentioned.

4. This bill also addresses the high cost multiple (HCM), which factors into the formula determining the amount of contributions the fund must receive to be considered "solvent." A 1.2 HCM essentially requires unnecessary reserves be contributed into the fund.
5. A change many employers have requested included in this bill is a statutory requirement for the KS Secretary of Labor to notify employers by November 15 (approximately 6 weeks' notice) will allow employers more time to plan more effectively for significant adjustments in their contribution rates from year to year. Receiving your rate notice within one to two weeks of the effective date of a new rate as was the practice under the previous administration, is simply inexcusable.
6. The last item addressed in this bill eliminates the Employment Security Advisory Council (ESAC), which is comprised of equal number of representatives from business, labor and academia. We believe ESAC was established initially to make recommendations and improvements to KS Employment Security Law. Recommendations originating from this council over the past several years were narrow in scope and offered one side solutions... simply increase SUTA taxes on KS employers. Unfortunately, the solutions necessary to effectively manage our UI system has to be broader in scope. No recommendations from this council have been implemented in years and we feel the contributions of this council are limited and do not address the system as a whole.

In closing, KS SHRM strongly supports the changes outlined in HB 2638 to provide more integrity of the UI trust fund and respectfully requests your YES vote. Your support is very valuable and important to strengthening our competitiveness and making Kansas a great state to work, live and do business in.

Thank you for service to our great state and also for the opportunity to appear before you. I would be happy to stand for questions now or at the appropriate time. Additionally, I can be contacted at 316.619.7864 or by email at phayes@the-arnold-group.com for questions/concerns.

Respectfully,



Phillip M. Hayes, SPHR
2012 Director-Elect, KS SHRM

State	New ER Tax Rate %	New ER Tax Rate % Notes
Alabama	2.70	
Alaska	2.70	avg industry rate, or avg for all ERs if undetermined industry.
Arizona	2.00	
Arkansas	3.60	
California	3.40	
Colorado	1.70	or actual rate if higher. Construction industry pays avg industry rate.
Connecticut	3.10	
Delaware	2.30	avg "Assessment Rate." Construction ERs pay an avg industry rate.
D.C.	2.70	or avg rate for all ERs if higher.
Florida	2.70	
Georgia	2.60	
Hawaii	1.90	
Idaho	1.00	
Illinois	3.40	or avg industry rate if higher.
Indiana	2.70	1.00% for government ERs.
Iowa	1.00	8.00% for new ERs in the construction industry
Kansas	4.00	6.00% for new ERs in the construction industry
Kentucky	2.70	Foreign and domestic construction firms receive maximum rate.
Louisiana	2.80	Up to 6.2% based on avg industry rate.
Maine	1.50	or "Predetermined Yield" if higher.
Maryland	2.30	Foreign contractors assigned avg industry rate.
Massachusetts	2.83	New construction ERs pay industry avg.
Michigan	2.70	Construction ERs receive industry rate.
Minnesota	2.40	
Mississippi	2.70	
Missouri	3.50	or rate assigned to industry division.
Montana	2.70	avg Industry Rate.
Nebraska	1.30	
Nevada	3.00	
New Hampshire	2.70	
New Jersey	2.80	
New Mexico	2.00	
New York	4.10	Highest rate assigned to ERs with positive account balances or 4.1%, whichever is less.
North Carolina	1.20	
North Dakota	1.60	
Ohio	2.70	or avg industry rate if higher.
Oklahoma	1.50	
Oregon	2.80	
Pennsylvania	3.70	9.2% for new ERs in the construction industry
Puerto Rico	2.90	
Rhode Island	2.40	or higher of 1.0% or the state's five year benefit cost rate up to 4.2%.
South Carolina	3.40	
South Dakota	1.20	for 1st year; 1.0% for 2nd if positive balance.
Tennessee	2.70	except avg industry rate for selected high experience rated industries.
Texas	2.70	Greater of 2.7% or industry rate.
Utah	0.10	avg Industry Rate up to 9.5%.
Vermont	1.00	Average industry rate, between 1.0% and 8.4%.
Virgin Islands	1.00	
Virginia	2.50	
Washington	2.70	115% of the industry avg
West Virginia	2.70	7.5% for new ERs in the construction industry
Wisconsin	3.30	and 3.4% for larger ERs. 6.6% for new ERs in the construction industry
Wyoming	1.50	avg Industry Rate not less than 1.0%.

United States Average 2.44