

**Before the Kansas House Committee on Commerce
Testimony of Bill Maness, President and Managing Partner
Syndeo, Wichita, Kansas
Senate Bill 413: Professional Employer Organizations (PEOs)
March 14, 2012**



Chairman Brown, esteemed members of the committee, my name is Bill Maness and I am President and Managing Partner of Syndeo Outsourcing in Wichita. I am here today to provide an overview of what a Professional Employer Organization, or more commonly referred to as a PEO, is and how the Senate bill before you will benefit small businesses in Kansas.

PEOs are a business that provides employer related services to its clients, which are typically small businesses. These services include 4 main areas: Payroll and related activities like tax payments, tax reporting, W-2's, direct deposit and the like; Worker's Compensation, including the administration of premium payments, handling of all injuries and their respective follow-up activities, and loss prevention and training; Benefits Administration, including health and Dental benefits, long and short term disability, Section 125 plans and retirement plans such as 401ks; and finally, Human Resources, which include the veritable plethora of employer related activities, from handling unemployment, to filing EEO reports, to helping deal with trouble employees, to properly administrating FMLA, FLSA, Wage and Hour and other compliance issues, to things as mundane as making sure all policies and procedures are documented and in compliance with all federal and state laws. We like to refer to HR as the big dumping bucket for everything else employer related that doesn't fall under payroll, workers' compensation or benefits.

The business model used to manage these service deliveries is called co-employment. This is a contractual arrangement (i.e. client service agreement), where the PEO assumes certain rights, responsibilities and liabilities, the client assumes certain rights, responsibilities and liabilities and the agreement clearly and unambiguously defines each party's obligations. In a typical client service agreement, the PEO assumes the responsibility for the four areas outlined above and the client assumes the risks and responsibility of everything that pertains to running their business. The PEO's role is to free up the client from the administrative burden of being an employer and allow the client to concentrate on what is important -- generating revenues and profitability. Let's be frank, businesses don't go into business to be an employer, they become one by default due to their success.

Unfortunately, federal and state laws regulate employers to the degree that a business, particularly a small business, cannot begin to know everything there is to know about the laws that govern them, much less even keep up with the changes. In addition to providing additional resources a client would typically not even have, the PEO also provides more and better benefits than a small business can afford or achieve, effectively leveling the employment playing field with larger employers. The PEO model is good for small business if only because it removes the administrative barriers that tie the most valuable hands of a growing organization -- the time of the owners and operators (which is typically where the burden falls).

Senate Bill 413 is important to both the PEO industry and small businesses in Kansas because it codifies the business relationship and provides the platform in the state for acceptable business practices by anyone wishing to provide PEO services in Kansas. I strongly encourage you to send this bill to the floor for approval. Thank you.

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House Commerce & Economic
Development Committee

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