

Testimony before Senate Commerce Committee  
Senate Bill 352- Unemployment Insurance  
Presented by Eric Stafford, Senior Director of Government Affairs



Tuesday, February 7, 2012

Madam Chairman and members of the committee:

We appreciate the opportunity to provide testimony in support of Senate Bill 352. 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 352, which makes what we consider to be "structural changes" to the Unemployment Insurance (UI) Trust Fund. Over the last three years, the legislature has passed multiple bills addressing unemployment insurance (HB 2676, SB 77) which froze contribution rates for employers who were experiencing in some cases 400% increases in their contribution rates.

SB 352 takes steps to clarify what constitutes misconduct. These changes give clear direction to employers in circumstances where employees fail drug or alcohol testing, stating that a positive test is conclusive evidence of misconduct.

SB 352 also makes what we believe is a significant change by giving the department of labor authority to seek review of the Board of Review decisions issued that might not otherwise be appealed by a party. This change maintains the intent of the UI fund and will help ensure workers who are eligible for benefits receive them.

While the economic outlook appears to be improving, we must not lose sight of the fact that the UI trust fund is far from solvent. Attached to my testimony is a document titled "State of the Kansas Unemployment Insurance Trust Fund." This document outlines some of the historical action taken by the legislature over the past three years, as well as the initiatives we have brought forward this session through a bill we have introduced in the House of Representatives. It is important to note, according to the Department of Labor's testimony before this committee several weeks ago, Kansas will be borrowing money from the federal government for the next three years.

In closing, I would like to thank Secretary Brownlee and her staff for continuing to pay close attention to the status of our trust fund and taking all of the steps necessary, large or small, to restore our fund back to a solvent state.

Thank you for the opportunity to speak in support of Senate Bill 352.



*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.*

## State of the Kansas Unemployment Insurance Trust Fund

As the Kansas Legislature begins the 2012 session, many employers across the state are still burdened by significant Unemployment Insurance costs. The Kansas Chamber and Kansas Society for Human Resource Management (SHRM) have put together a brief update on the employer-funded UI Trust Fund to remind legislators that significant steps must still be taken to bring positive structural reform to the fund.

### Trust Fund Balance

\$700 million- 2008

\$566 million- January 2009

\$349 million- September 2009

### Economic Data

5.9%-Unemployment Rate

\$244 million- loan from Feds (and counting)

In 2009, as our UI fund dwindled with the economic downturn, the Department of Labor did little to address the rapidly decreasing trust fund balance. The fund was insolvent in 2010. Instead of taking a proactive approach to reasonably increase employer contribution rates, employers faced insurmountable rate increases, some paying 700%-1,700% more than the previous year.

In 2010, the legislature passed HB 2676 which offered flexibility for employers in their contribution rates and waived penalties and interest as long as payments were made in full by the end of 2010. HB 2676 also capped tax rates for two years to help employers plan for UI rate increases in 2011.

In 2011, SB 77 passed the Kansas legislature. SB 77 extended the rate caps established in HB 2676 through 2014, created 10 new negative balance rate groups and assessed up to an additional 2% surcharge on these 10 groups for a maximum rate of 9.4%.

### Nothing is "Fixed"

While the legislature has taken action to help the UI trust fund over the past few years, we must not lose sight of the fact that these changes were mere 'plugs in the dam' and not long-term solutions to the structural deficiencies with the fund.

We have a long way to go before the Kansas UI fund is updated and modernized. This current legislative session will bring UI changes centered on employer transparency, consistency and efficiency. Website capabilities for employers are lacking. More transparency to the status of the fund and employer's accounts is needed.

### Employer Contributions and Benefits Paid

To highlight the fact that reform efforts are still needed to bring long-term solvency to the Kansas UI Trust Fund, it is important that we look at the employer contributions compared to benefits paid for the last several years. While the situation has improved, the Department of Labor still projects shortfalls for the next three years. The fund must be built over time

#### 2009

\$212,738,403 – Contributions

\$766,771,767 – Benefits Paid

(\$554,039,364)

#### 2010

\$365,793,518 – Contributions

\$538,585,676 – Benefits Paid

(\$172,792,158)

#### 2011

\$408,510,251 – Contributions

\$431,062,399 – Benefits Paid

(\$22,552,148)

