



**Overland
Park
Chamber™**

To: Chairman Tarwater and Members of the House Commerce, Labor and Economic Development Committee

**From: Kevin Walker, Senior Vice President of Public Policy
Overland Park Chamber of Commerce**

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On behalf of the members of the Overland Park Chamber of Commerce thank you for the opportunity to submit testimony in support of HB 2196. This session I don't believe you will address any single issue more important to the business community than the well-documented challenges with our unemployment trust fund.

Just a year ago the words coronavirus and COVID-19 were beginning to enter our lexicon. At that time, it was difficult to envision what would unfold over the coming months. Our trust fund had a robust balance of more than \$1 billion and although there were well-documented challenges with the technological infrastructure at the Department of Labor, there was acknowledgement that significant changes were necessary.

Unfortunately, what happened in 2020 was beyond what anyone could have imagined. Each day we come closer to wiping out our unemployment trust fund balance and every single inadequacy of the unemployment system infrastructure was not only exposed but magnified.

Understanding what transpired over the past year is instructive. Not because anyone wants to lay blame. Rather, it is important because understanding the scope and magnitude of the problem allows us to create better solutions. I'd like to address a few key points for you to consider as you seek to modernize KDOL's infrastructure and replenish the trust fund.

Fraud – it is very clear that the scope and magnitude of fraud plaguing our system is enormous. Unfortunately, it doesn't appear anyone can fully explain what the full impact is. Some estimates place the impact in the hundreds of millions of dollars lost to fraud.

It is critical that any system modernization undertaken by the State must include vigorous oversight and procedures to combat fraud. Rampant fraud diverts precious resources away from those for whom the system was created. Further, the cost of fraud is borne by taxpayers and the business community and we cannot continue losing millions to fraud. The new system should provide for full chargeability credits when a determination of fraud has been made. HB 2196 contains provisions that will help address this problem.

Trust Fund Balance – In 2013 and 2015 the Kansas Legislature made changes to the unemployment program restoring rate fairness for the businesses funding the trust fund. Despite concerns by some that the new structure would not produce sufficient balances, it has been shown over the years that the formula not only produced a robust fund balance of more than \$1 billion, but it was a more equitable system in how it treated the employers who fund the system.

With the trust fund balance rapidly approaching zero we fully understand the trust fund must be replenished. It is critical the formula be fair and equitable to the businesses who fund the program. Without action by the legislature it is very likely that employers with low utilization rates will see astronomical premium increases while those with higher utilization rates may see lesser increases. Assuring parity and fairness is important and should be a priority as reforms are made. HB 2196 proposes a fair and equitable system that should be given serious consideration.

Oversight/Access – The inability for Kansans and businesses needing to interact with KDOL during the past year has been a source of major concern and frustration. We all understand that the volume of demand placed on the system is perhaps unprecedented. However, ultimately a system must be in place to handle the volume of demand at its worst or we are doing a disservice to everyone for whom the system was designed to serve. It is critical that KDOL and the legislature create a customer stakeholder group to provide customer-focused input on design of the new system. HB 2196 address this with the creation of the Unemployment Compensation Modernizing Council.

Work Share Program – The Work Share Program appears to be under-utilized. This program helps keep Kansans working while reducing the drawdown of the unemployment trust fund. KDOL should promote and expand the utilization of this

program. It is important that access to the program be streamlined to minimize administrative burdens and encourage utilization.

These are just a few points that are critical to a viable and robust unemployment trust fund. Other essential elements include data transparency for employers so they can better understand and manage their accounts and mechanisms to ensure that job refusals are addressed without delay.

Although modernization of our UI system will be monumental and expensive it is necessary. Making changes that improve efficiency, promote transparency, and protect the people and funds at the heart of the unemployment system are worth the investment.

HB 2196 is a comprehensive approach to improving and modernizing our unemployment system in Kansas. Further, it creates an equitable and fair formula for replenishing the trust fund balance without being overly expensive to employers. I urge this committee to act favorably on HB 2196.