Approved: 3/30/09
Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:12 a.m. on March 19, 2009, in Room 784 of the Docking State Office Building.

All members were present except:
Representative Scott Schwab- absent

Committee staff present:
Renae Jefferies, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Jerry Donaldson, Kansas Legislative Research Department
Stephen Bainum, Committee Assistant

Conferees appearing before the Committee:
Representative Raj Goyle,
Jim Garner, Department of Labor
Rachelle Colombo, Kansas Chamber of Commerce

Others attending:
See attached list.

The meeting was called to order by Chairman Steve Brunk at 9:12 a.m. The minutes for March 10 and 11 were approved. The Chairman called the Committees attention to **HB 2374**.

HB 2374 - Concerning employment security law, allowance of alternative base periods and benefits for individuals forced to leave employment to care for an ill or disabled family member.

Renae Jefferies, Assistant Revisor supplied the Committee with a copy of the American Recovery and Reinvestment Act of 2009 (Attachment 1). She then passed out a memorandum explaining the changes that would be required to qualify for the funds from the Federal Treasury (Attachment 2). Renae also included a Balloon Amendment for **HB 2374** (Attachment 3).

Representative Bethell questioned why the bill would become affective in 2010 rather than 2009. Secretary Garner said that it was to give the agency time to implement the changes in the bill. If the State has the provisions in the law which will be effective in the next 12 months, the Federal government will immediately certify the law and send the money to the states.

Representative Raj Goyle presented testimony as a proponent of **HB 2374** (Attachment 4).

Representative Prescott asked if this was also the right thing to do. Raj said that in this time of crisis this is the right thing to do and that this is our tax money.

Representative Pottorff asked for an overview of what other states have done in regard to this. Raj said that 20 other states have enacted option 1 and no more than 2 states have refused this money.

Jim Garner, Department of Labor presented a flow chart to illustrate the changes Kansas would have to make to qualify to receive the funds in the Recovery Act (Attachment 5). He also presented testimony as a proponent of **HB 2374** (Attachment 6). Secretary Garner's testimony included a chart on the computation of UI benefits using the base period (Attachment 7). He then explained how the Alternative Base Period works and the effect of implementing the Illness/Disability of immediate Family provision of provision 4c. He then presented the Labor Departments Balloon Amendment on **HB 2374** (Attachment 8).

Representative Brunk clarified that under provision 4c a person leaving employment to care for someone in their immediate family who was ill or had a disability would not receive UI benefits while they were providing such care but that they would receive it when they reentered the job market actively seeking employment. Also if they have not left the employ of the company then they are not eligible for the benefits under provision 4c.

Representative Bethell asked about the definition of immediate family in the Labor Department Balloon

Amendment specifically if it included the wording “sibling” or “significant other. Jim said that it did not have that wording.

Representative Brunk asked a question about the age of the children. Is it 18 years of age? Jim said that the Federal guideline was minor children under the age of 18.

Representative Bethell suggested that the Federal language limiting it to a minor child under the age of 18 should be put into our bill.

Representative Brunk asked for the impact statement that the Department had prepared for implementing the Alternative Base Period and provision 4c. Secretary Garner gave the impact statement that included all the options in the flow chart (Attachment 9). He indicated that the Federal money with the interest would last for 17 years.

Representative Grange asked how much was being paid out in monthly UI benefits now. Secretary Garner said we were paying out about 13 million dollars a week. In a normal year, such as 2007, it was about 5 to 6 million a week. Three to five million a week is the average. Representative Grange commented that the 69 million would not last very long since we are paying out 52 million dollars a month. Secretary Garner said the 17 years represented the length of time the Federal funds would cover the additional benefits paid out because of the changes in Kansas law.

Representative Pottorff asked if it was possible to split the bill and do the first part now and the other part later. Secretary Garner said yes, you can do the first 1/3 and a separate application for the remaining 2/3's.

Representative Grant asked about the reduction of UI tax rates that was passed into law in 2007. Would the current payout from the trust fund trigger a reversal of those reduced rates? Secretary Garner said that the current payout if continued for a year would more than likely trigger an increase in UI tax rates.

Representative Brunk ask what the estimate was of money coming into the trust fund this year. The Secretary said the estimate was about $437 million and about $440 million would be paid out of the fund. From that Representative Brunk estimated that the fund balance would be between $230 to $250 million by the end of the year.

Representative Bethell asked if there was an automatic trigger for the UI tax rates. Secretary Garner said that the trigger was linked to a solvency measure of the trust fund. It is called the Alternative High Cost Multiple. It looks at the balance in the trust fund as of July 30th each year and then makes a determination based on a calculation by looking back at the worst recession in the last 20 years and projects that out to the trust fund to see if the trust fund has enough to pay out benefits for 1.2 years without any additional funds coming into the fund. That is the trigger, if there is not enough in the fund then it triggers the tax increase.

Representative Brunk asked how many people qualified under the Family Medical Leave Act. They did not qualify for UI benefits but under this new 4c provision they would qualify. It seems to me that the pool of people might be larger that what we have estimated.

Representative Bowers asked which of the available options would give us the biggest bank for the buck. Secretary Garner said that they had looked at the easiest changes in Kansas law that would allow us to get the money into the trust fund.

Representative Brunk ask if it was true that a person could be collecting UI benefits while in a training program and exhaust 46 weeks of benefits before they would collect benefits under provision two. Therefor the trust fund would not be used for additional benefits for almost a year. Secretary Garner said that was correct.

Representative Bethell commented that the best bang for the buck was provision 4c since it lasts for 17 years compared to 13 years with training and 6 years with dependent care.

Rachelle Colombo, Kansas Chamber of Commerce testified as an opponent of **HB 2374** (Attachment 10).

The opposition to **HB 2374** is because of the massive policy changes required which would have a long term impact on administrative costs, benefit payout and employer tax rates. States that have implemented the Alternative Base period have seen increased benefits payouts ranging from 1 to 6%. Another concern is the number of people who currently use the Family Medical Leave Act. Under this new provision many of them might quit their jobs and receive a weekly wage replacement through unemployment compensation.

Chairman Brunk said that the hearing would be held open for the meeting tomorrow.

The next meeting is scheduled for March 20, 2009.

The meeting was adjourned at 10:45 a.m.