

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:08 a.m. on March 20, 2009, in Room 784 of the Docking State Office Building.

All members were present except:

Representative Delia Garcia- excused
Representative Scott Schwab- absent

Committee staff present:

Rena Jefferies, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Jerry Donaldson, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Stephen Bainum, Committee Assistant

Conferees appearing before the Committee:

Rachelle Colombo, Kansas Chamber of Commerce
Natalie Bright, Wichita Independent Business Association
Daniel S Murray, National Federation of Independent Business-Kansas

Others attending:

See attached list.

Rachelle Colombo, Kansas Chamber of Commerce continued her testimony as an opponent of **HB 2374** that was begun yesterday.

Representative Tietze asked what the problem was with a shift in policy. Rachelle said her point was that this was not a simple or minor change or easily done. This is actually a large policy shift and needs to be carefully studied. The implication was that this doesn't cost the state money but it will cost employers money.

Representative Grant said that the trigger raising UI tax rates would be tripped regardless of whether we go for the Federal money or not. Rachelle said that by accepting the provisions in the bill we would be qualifying more people for UI benefits and stretching the trust fund even more.

Representative Gatewood asked what percentage of the people who qualify for the Family Medical Leave Act would take advantage of provision 4c. Rachelle said that it was based on a national average and the trust fund could be faced with an additional \$35 million in payouts because of the changes to Kansas law. Her complaint was that the Department of Labor estimate did not show any affect of the FMLA.

Representative Quigley asked about the number of states rejecting these provisions, how many have only rejected part of the provisions. Rachelle said she could get that information.

Representative Grant asked what was the amount of time the states had to consider the 2nd part if they had accepted the first part. Rachelle deferred to the Department of Labor for that answer.

Natalie Bright, Wichita Independent Business Association presented testimony in opposition to **HB 2374** (Attachment 1). The members of the WIBA are opposed to **HB 2374** because they have not had enough time to understand the implications and costs of the bill and also the impact it will have on the trust fund. The proposed changes will expand the numbers of people receiving UI benefits and eventually force an increase in employers' contributions to keep the fund solvent. Any increase in UI tax rates is difficult for small business.

Representative Grange asked for a definition of small business. Natalie said it was less than 20 employees.

Representative Bethell asked how many of WIBA's members were aware of the possible increase in UI taxes. Natalie said that most of them are aware but that we need to educate them and make them more aware. Natalie said that the policy changes in the bill are making the small business owners nervous. Any cost increase is going to affect them negatively. Increased costs may cause them to cut back on other employee

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benefits such as health insurance.

Representative Quigley said that the concerns about additional benefits would be concerns for the long term. Natalie said that the provisions did have long term costs and that they would not last 17 years.

Daniel S Murray, National Federation of Independent Business-Kansas testified as an opponent of **HB 2734** (Attachment 2). First, he said, there is no need to hastily enact legislation that represents dramatic, costly and long-term UI policy changes. Concerning the mandatory provision of the Alternative Base Period he said that it would have an impact on the long-term solvency of the Kansas UI Trust Fund. Even an increased benefit of 1% will have a huge impact on the fund.

The provision for illness or disability of an immediate family member provides at least 26 weeks of additional UI benefits for individuals participating in approved training. This provision raises long-term policy issues regarding the shift of burden to employers to provide a new entitlement similar to FMLA that will have a substantial and negative long-term impact on the solvency of the UI Trust Fund. The long-term costs of the proposed changes will dwarf the short-term infusion of ARRA funds.

Representative Gatewood asked if there was another provision that he preferred. Daniel said that we really do need to take time to study the long-term impact of all the provisions.

Representative Brunk said that the original bill came in with the choice of provision number 1 and 4c because we must have two provisions to qualify for the funds. There was no consideration given to provision number 2 or provision number 3. Provision number 3 is expensive so provisions 2 and 4c are being considered. Daniel said that with provision 2 there might be other Federal funds available for training.

Representative Worley asked if the Alternative Base Period provision was less of a concern than the Illness/Disability provision. Daniel said personally he would say yes but it still is a significant change and long-term impact on the fund.

Representative Brunk asked Secretary Jim Garner if he had a mechanism to warn businesses about the trigger. Secretary Garner said that they put out a quarterly newsletter and they have an Advisory Council that monitors these changes.

Representative Gatewood asked that a letter from the National Employment Law Project be entered into the minutes. Representative Grange asked about the letter and was told that it was a national organization that deals with labor issues at the Federal level that had contacted Representative Raj Goyle and wished to testify (Attachment 3).

The Chairman closed the hearing on **HB 2374** and said that we have Monday, Tuesday and Wednesday next week to work this bill. He asked the members to take their folders.

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