

MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 8:00 A.M. on February 8, 2007 in Room 123-S of the Capitol.

All members were present.

Committee staff present:

Kathie Sparks, Kansas Legislative Research Department
Norm Furse, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Scott DiBiaso, National Association of Professional Employer Organization
Bill Maness, EIC, Sydeco, Wichita, Kansas
Kevin Dean, The Metal Finishing Company, Wichita, Kansas
Rob Winfrey, Insurance Planning Center, Inc.
Larry Magill, Kansas Association of Insurance Agents
John Ostrowski, Legal Counsel, AFLCIO

Others attending:

See attached list.

SB 156-Professional employer organization act
SB 193-State debt limitations and procedures

Chairperson Brownlee introduced Kathie Sparks to explain **SB 156**. Ms. Sparks stated **SB 156** would require that each professional employer organization (PEO) in Kansas register with the Kansas Department of Labor (Section 4) and at the time of registration present specific documentation (Section 5). (Attachment 1) Ms. Sparks explained the bill in detail. Upon the conclusion of her explanation, she referred the Committee to 79-3269. (Attachment 2)

Questions followed.

Chairperson Brownlee opened the hearing on **SB 156** and introduced Scott DiBiasio representing the National Association of Professional Employer Organizations (NAPEO), to give his testimony as a proponent of **SB 156**. Mr. DiBiasio presented written copy which he reviewed for the Committee. (Attachment 3) He stated that PEO's enable their clients to cost-effectively outsource the management of human resources, employee benefits, payroll and other critical benefits so they can focus on their core competencies to maintain and grow their business. He stated NAPEO is in strong support of **SB 156**. Mr. DiBiasio also presented *Regulation of Professional Employer Organizations* (Attachment 4) and called it to the Committee's attention.

Chairperson Brownlee introduced Bill Maness, CEO, Sydeo Outsourcing, Wichita, Kansas to give his testimony as a proponent of **SB 156**. Mr. Maness presented written copy and gave a brief review. (Attachment 5) He stated that Sydeo Outsourcing is a Wichita based PEO. They manage everything a business is required to do as an employer that has nothing to do with the running of their business. In closing, he stated the day is here to recognize and regulate the PEO industry and officially welcome this very business friendly concept to the state of Kansas.

Chairperson Brownlee introduced Kevin M. Dean, HR Director, Metal Finishing Co., Inc located in Wichita, Kansas, to give his testimony as a proponent of **SB 156**. Mr. Dean presented written copy. (Attachment 6) Mr. Dean reviewed his testimony stating one of the most overwhelming tasks faced by small and medium businesses today is meeting the company's human resource needs. The benefits of a PEO are numerous. Metal Finishing would not be the same successful company it is today without a PEO. He urged the Committee to vote in favor of the bill.

Chairperson Brownlee introduced Rob Winfrey with Insurance Planning Center, Inc. He stated that Insurance Planning Center, Inc has started a division that focuses solely on marketing PEO services to new and existing clients. He stated he feels that as an insurance person, instead of viewing the PEO industry as a negative,

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agencies could use this type of service as a value added product. He stated that Insurance Planning Center, Inc. is strongly in favor of **SB 156**.

Questions and answers followed for the proponents of the bill.

Chairperson Brownlee introduced Larry Magill, Kansas Association of Insurance Agents, to give his testimony as an opponent of **SB 156**. Mr. Magill presented written copy. (Attachment 8) Mr. Magill stated PEO's have very little to sell a business if they cannot find away to "game" the state regulated workers compensation and employee benefit systems to create a competitive advantage for themselves through artificial or temporary cost reductions for their clients. The simplest and cleanest way to deal with this issue is to require a multiple coordinated policy approach as the only way a PEO can buy workers compensation on its clients' employees. In closing, Mr. Magill stated a good PEO regulation bill would be good public policy. But this is a large and fairly complex subject and will take more time to adequately address than is left in this session. Another simpler option would be to prohibit PEO's.

Chairperson Brownlee introduced Mike Snider, representing KTLA to give his testimony as an opponent of **SB 156**. Mr. Snider presented written copy. (Attachment 9) Mr. Snider stated that KTLA was opposed to a similar bill in 2001 and is also opposed to this bill. Their concern is that Kansas employers could be held liable if the PEO failed to meet its obligations and employees would be hurt by losing health insurance and workers compensation coverage.

Chairperson Brownlee introduced John Ostrowski, representing the AFL/CIO, to give his testimony as an opponent of **SB 156**. Mr. Ostrowski presented written copy. (Attachment 10) Mr. Ostrowski stated that the subject matter of PEO's is exceedingly complex and **SB 156** should not pass until the Kansas Legislature has had a full opportunity to address multiple issues raised by the bill. Mr. Ostrowski outlined some of the AFL/CIO's concerns with the bill.

Chairperson Brownlee called the Committee's attention to the written testimony of Terry Humphrey, Chairperson of the Kansas Coalition for Workplace Safety, as a opponent of **SB 156**. (Attachment 11)

Chairperson Brownlee also called the Committee's attention to the written testimony of Paula Greathouse, Director, Division of Workers Compensation (Attachment 12) and Brad Smoot, Legislative Counsel for NCCI (Attachment 13) as neutrals of **SB 156**.

Question and answers followed for the opponents of **SB 156**.

Chairperson Brownlee announced the Committee would not have time for the hearing on **SB 193** and it would be rescheduled for another day.

Chairperson Brownlee stated the **SB 156** needs a lot of work and she was not sure if she would do a subcommittee or interim work or both. Chairperson Brownlee stated she would ask that the bill be blessed.

Chairperson Brownlee closed the hearing on **SB 156** and adjourned the meeting at 9:30 a.m. with the next scheduled meeting being February 9th at 8:30 a.m. in room 123S.

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