



February 6, 2024

**Proponent Testimony on House Bill 2570
House Commerce, Labor & Economic Development Committee**

Chairman Tarwater and Members of the Committee:

Thank you for the opportunity to appear before you on behalf of the Kansas Contractors Association (KCA). The KCA represents more than 220 companies working in Kansas' heavy construction industry. Collectively, these companies create and sustain more than 43,000 good-paying, private sector jobs across our state.

I want to commend this committee for the leadership you have shown in crafting strategic changes to the state's unemployment system which have addressed the long-term stability of the state's Unemployment Insurance Fund while balancing the real-world economic realities facing Kansas employers. Because of your work, Kansas has achieved a solvent Unemployment Insurance Fund with the fund ranking 9th best in the nation.

I am here today to speak about the compromise that was reached regarding HB 2570.

Taxable Wage Base

We recognize the interest in increasing the taxable wage base from the current rate of \$14,000, which was last increased in 2014. The proposal to change the taxable wage base to 50% of the state average annual wage – an estimated increase from \$14,000 to \$27,900 – is workable.

By changing the taxable wage base from \$14,000 to 50% of the state average annual wage, there will be a natural increase from year to year in the taxable wage base, allowing it to keep pace with the needs of the Fund by increasing as wages in Kansas increase. We believe this would be a major step toward ensuring the continued solvency of the Fund without going too far, too fast for Kansas employers paying into the Fund.

Negative Balance Employers

In analyzing this bill with our members, we have discovered that many negative balance employers have accumulated negative balances from acquiring companies who had negative balances at the time of the acquisitions. We believe this is the time to reset the Fund with not only a substantial increase in the taxable wage base but also the opportunity for negative balance employers to reset their balance to zero or a positive balance moving forward. By doing both at the same time, employers in Kansas will have an opportunity to absorb the increase in the taxable wage rate with lower rates and have the ability to keep their companies out of a negative balance situation.

In the future, if an employer finds themselves in a negative balance situation, the system will hit them with a significantly increased unemployment insurance premium. Under this structure, the system would incentivize positive balance employers through lower rates, disincentivize negative balance employers through much higher rates, and modernize the practice that has left current employers on the hook for negative balances left on the books from acquired employers that are no longer in business.

Up to 16 weeks of Unemployment Benefits in the Heavy Construction Sector

The heavy construction industry is unique in that its work product depends on the weather during the winter months. Our members, particularly bridge builders, can typically keep their employees busy for most of the winter season. However, asphalt and concrete pavers cannot lay asphalt or pour concrete in certain temperatures and still deliver Kansas taxpayers the quality, long-term product they expect on their road and bridge projects. Therefore, these contractors are required to halt work on projects for anywhere from 8 to 16 weeks depending on the temperatures in any given year.

If these companies' skilled employees are required to find another job during these weeks, they are more likely to leave the industry or leave the state. This in turn risks driving up the cost of infrastructure projects for taxpayers as contractors are forced to rebuild their workforce each winter and train new employees on the technical aspects of the industry.

Recognizing the uniqueness of the industry and the potential impact on taxpayers, other Midwest states, like Iowa, have implemented a provision that allows up to 16 weeks of UI benefits in the heavy construction sector.

If weather forced a contractor to layoff employees the entire 16 weeks, the contractor would need to be prepared to pay the needed premium to cover those benefits or pay a higher contribution rate on a much higher taxable wage base to avoid falling into a negative employer rate group.

Again, thank you for allowing me the opportunity to appear before you today as you look to make changes that will ensure the continued solvency of the UI Fund well into the future.



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