

SESSION OF 2024

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2790

As Amended by Senate Committee on
Commerce

Brief*

HB 2790, as amended, transfers the registration, compliance oversight, and enforcement authority for professional employer organizations (PEOs) from the Commissioner of Insurance to the Secretary of State, effective January 1, 2025. The bill would replace all instances of “Commissioner” with “Secretary” in the Professional Employer Organization Registration Act (Act).

The bill would also provide that a fully-insured welfare benefit plan offered by a PEO to its employees and covered employees is to be treated as a single employer welfare benefit plan.

The bill would also remove the outdated language related to the Act’s initial implementation.

Background

The bill was introduced by the House Committee on Commerce, Labor and Economic Development at the request of a representative of the National Association of Professional Employer Organizations (NAPEO).

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

House Committee on Commerce, Labor and Economic Development

In the House Committee hearing, **proponent** testimony was provided by a representative of the Kansas Insurance Department, Lever1, the Office of the Secretary of State, and Syndeo.

The proponents generally stated the bill would move the oversight to a more relevant office because the Secretary of State already manages business registrations. The proposed welfare plan provision is similar to such provisions in other states.

Written-only proponent testimony was provided by a representative of NAPEO.

No other testimony was provided.

The House Committee amended the bill to provide for the transfer to the Secretary of State to take place on March 1, 2025.

Senate Committee on Commerce

In the Senate Committee hearing, **proponent** testimony was provided by a representative of the Kansas Insurance Department, Lever1, the Office of the Secretary of State, and Syndeo.

Proponent testimony was substantially similar to that provided to the House Committee on Commerce, Labor and Economic Development.

Written-only proponent testimony was provided by a representative of NAPEO.

No other testimony was provided.

The Senate Committee amended the bill to change the required date of transfer to the Secretary of State to January 1, 2025.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the Office of the Secretary of State indicates enactment of the bill would not have a fiscal effect on the agency's operations.

The agency indicates that currently it has information technology (IT) modernization priorities for business systems set through July 2026, which would limit the use of these resources until the modernization priorities are accomplished. The agency indicates that with the limited IT resources available to the agency and the pre-existing list of priority IT projects for business entities in the state, the realistic full implementation date would be no earlier than January 1, 2027.

The Kansas Insurance Department indicates the bill would decrease its fee fund revenues to the Professional Employer Organization Fee Fund (PEOFF) by \$113,340 in FY 2025 and FY 2026. However, the agency would no longer need the revenues because under the bill, the PEOFF would be moved to the Secretary of State.

The agency also indicates the only expenditures from the PEOFF are for a portion of the salaries for four positions. After the PEOFF is moved out of the Kansas Insurance Department, the salary expenditures would be paid from the Insurance Regulation Fee Fund.

Any fiscal effect associated with enactment of the bill is not reflected in *The FY 2025 Governor's Budget Report*.

Professional Employer Organization; Secretary of State; Commissioner of Insurance