



National Association
of Professional Employer Organizations

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**Before the Kansas Senate Committee on Commerce
Testimony of Tim Tucker, Vice President of Government Affairs
National Association of Professional Employer Organizations (NAPEO)
Senate Bill 413: Professional Employer Organizations (PEOs)
February 14, 2012**

Chair and Committee Members,

My name is Tim Tucker and I represent the National Association of Professional Employer Organizations (NAPEO). On behalf of our entire membership and specifically our members located and doing business in Kansas, I am here this today to testify **in support of Senate Bill 413**, a measure that will provide the a regulatory framework and set minimum standards for professional employer organizations in Kansas.

What is a professional employer organization (PEO)?

A PEO is a business that partners with an existing small business to manage their human resources programs and activities. These programs and activities include employee benefits such as health plans, Section 125 pre-tax plans, and retirement services. It also includes processing payroll checks and deposits, remitting federal and state payroll taxes, providing HR policies and employee handbooks, and other aspects of the "business of being an employer". By partnering with small businesses to provide these services, PEO's enable their small business clients to focus on the core competencies that enable them to maintain and grow their business. *A PEO is a full-service HR solution designed to meet the needs of small business by co-employing their client's worksite employees.*

Who is a PEO client?

The average PEO client is a small business with 5 to 20 employees. By forming a co-employment relationship with these small businesses and their employees, PEOs provide small businesses with critical assistance with the *business of being an employer*. The PEO relationship allows small businesses to attract and retain a higher quality workforce.

Professional Employer Organizations

- PEOs are not temporary help companies (or other similar businesses).
- Provides off-site HR services (like healthcare) to small business by co-employing small business workers.
- Under this legislation: must register and file audited financial statements, with the state. Must also meet minimum financial standards.

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Attachment 1

Why is legislation needed?

PEOs provide important and valuable services to small businesses. Legislation would provide valuable guidance and legal certainty to those small businesses that partner with PEOs. These clarifications reduce confusion on how state agencies administer various employment laws. The PEO industry strongly believes it is important that minimum standards be established that create a level and competitive playing field. Additionally, this legislation would provide clear guidance to state agencies responsible for the overseeing the industry.

What does this bill do?

This legislation creates a comprehensive regulatory framework for PEO services used by small businesses. It provides clarity by creating industry definitions, defining relationships, duties, and responsibilities, as well as reaffirming that using PEO services do not diminish existing rights and benefits. Minimum industry standards highlights include:

- annual registration with the commonwealth including an audited financial statement (without qualification as to “going concern”);
- meeting the minimum financial standard; and
- meeting the regulatory framework for PEOs.

Does this bill create a barrier to market?

The PEO industry is different than other licensed professions and occupations. The majority of this bill is aimed at providing small businesses that choose to use PEO services guidance and legal certainty. The financial and operational requirements are proven minimum standards that have not proven to be a harmful to market entry and help ensure the obligations PEOs make are met.

What is this legislation based on?

The concept of regulating PEOs is not a new one. The provisions contained in this bill are based on PEO model legislation as well as laws found in surrounding states. This bill would bring Kansas current with many of the requirements found in 35 other states. Over the past 25 years, these standards and requirements have been tested and refined to strike the balance of the need for responsible regulation.

Again, **I urge your support of Senate Bill 1068 (and amendments)**. Thank you for your time and consideration.

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