

To: House Committee on Financial Institutions and Pensions
From: Brock Ingmire, Manager of Policy and Research
Date: February 13, 2017
Re: Testimony in Support of HB 2268

I want to thank Chairman Kelly and the Committee members for allowing the League of Kansas Municipalities to offer testimony in support of HB 2268 on behalf of its member cities. The League supports HB 2268 specifically for the provision with regard to exempting independent contractors and employees of third-party entities from the specified working after retirement requirements.

The administrative and fiscal burden that arises with hiring independent contractors and employees of third-party entities has had concerning effects on cities in Kansas. With regard to third-party contractors, it can add an inordinate amount of administrative and fiscal burden to cities' human resources personnel. Notably, when a city contracts with a third-party entity, cities have to identify who on that third-party employer is a KPERS retiree and, second, what proportion of that contract does that retiree earn that would count towards that compensation limit. Couple this administrative task with third-party contractors who may have hundreds of employees for which the city must check for KPERS retiree status and it could potentially deter cities from working with contractors who are likely to have municipal expertise altogether.

With regard to sole independent contractors, we are finding that this concern is largely affecting our smaller cities. Those best qualified to serve a city as an attorney or treasurer are commonly those who have past experience working within municipal operations and, as a result, can be KPERS retirees. For some of these independent contractors in rural areas of the state, KPERS retirees may contract with more than one city. While no individual contract would be in excess of the compensation limit, unfortunately their net amount of all contracted work could. As a result, cities could potentially find themselves in a bind. The first scenario is that the contractor terminates one of their city contracts to ensure compliance with the compensation limit and then leaves a city without a body of experience that could aid a city in their work. A second scenario is that the city, unable to keep up with the fiscal and administrative burden, feel they have no choice but to hire someone else who likely has little to no municipal expertise.

The proposed language offers a clear mechanism to ensure that if a city were to hire an independent contractor or a third-party entity, they are not penalized for seeking out the most qualified contractor. Additionally, we also believe that the proposed language adheres to the original sentiment and purpose of the working after retirement oversight process. The bill would

ensure that within these scenarios there is no pre-arrangement and that if they are a contractor, they meet the description of a contractor as laid out in statute or through the type of work they perform.

Based on the above reasons and the specific provisions related to independent contractors and employees of third-party entities, the League of Kansas Municipalities respectfully requests the Committee pass HB 2268 out of Committee with a recommendation to the full House for approval.