



**The National Association of Professional Employer Organizations (NAPEO)
Statement for the Record**

Senate Commerce Committee

**Proponent Testimony on House Bill 2790
March 6, 2024**

Proponent Testimony – House Bill 2790

The National Association of Professional Employer Organizations (NAPEO) thanks Chairwoman Erickson and the members of the Senate Commerce Committee for the opportunity to provide comments on House Bill 2790 under consideration by the Committee.

NAPEO is supportive of HB 2790. The bill will ensure Kansas small businesses and residents continue to have access to Fortune 500-level benefits that PEOs sponsor. The bill also provides parity with other states which have enacted statutory frameworks regulating PEOs.

The Kansas Insurance Department has done an admirable job managing our registrations and we have the same confidence in the Kansas Secretary of State's office. We defer to the Kansas Legislature to the point of transferring registration for PEOs.

NAPEO is the voice of the PEO industry. Professional employer organizations (PEOs) provide human resource services to small and mid-size businesses—paying wages and taxes under the PEO's EIN, offering workers' compensation and risk management services, and providing compliance assistance with employment-related rules and regulations.

PEOs are champions for their small business clients and their employees. Through a PEO, the employees of small businesses gain access to Fortune 500-level employee benefits such as: health insurance, dental and vision care, life insurance, retirement savings plans, job counseling, adoption assistance, educational assistance and other benefits. And, by providing payroll, HR and compliance assistance services, PEOs allow small businesses to focus on their core mission, improve productivity and profitability, and grow.

In Kansas, there are more than 8,000 worksite employees of small and mid-size businesses who enjoy the benefits of being in a PEO relationship, with more than 250 PEO entities currently registered with the Kansas Insurance Department.



PEOs provide worksite employees of small and mid-size businesses with access to Fortune 500-level benefits they would not otherwise have been able to access. In fact, Kansas is one of 41 states that regulate PEOs. The PEO and client co-employment relationship, as well as the scope of a PEO agreement, is defined and regulated within [Kansas Statute Annotated §§ 44-1701 - 1711 \(2012\)](#).

In 2012, the Kansas legislature enacted the above-referenced PEO registration statute. The National Association of Professional Employer Organizations (NAPEO) supports passage of House Bill 2790 which would codify how PEOs have been operating with regard to sponsorship of fully-insured single employer welfare benefit plans in Kansas for decades. This is consistent with the approach taken by other states that have clarified within their respective PEO statutes that a PEO is deemed an employer for purposes of sponsoring welfare benefit plans for its covered employees, and that such plans are treated for purposes of state law as a single employer welfare benefit plan.

This modest legislation would simply codify practice that has been in place in Kansas for years, as well as provide parity with the other states that have enacted statutory frameworks regulating PEOs. Similar statutes can be found in Colorado ([C.R.S. § 8-70-114](#)), Missouri ([Mo. Rev. Stat. §285.730 \(5\)](#)), Nebraska ([Neb. Rev. Stat. § 48-2708](#)), and Oklahoma ([Okla. Stat. Ann. § 40-600.7\(F\)\(1\)](#)).

Further, it is important that if this transition does occur, the Kansas Secretary of State has the authority to engage with independent assurance organizations like the Employer Services Assurance Corporation (ESAC). ESAC has been working with the Insurance Department since the PEO Act was passed a decade ago to provide financial assurance and accreditation services for PEOs operating in Kansas. This bill accomplishes that goal.

If NAPEO can provide additional information to the committee that would be helpful, please contact our legislative advocate in Topeka, Scott Schneider.

Thank you again for the opportunity to provide comments in support of HB 2790.