

MINUTES OF THE HOUSE COMMITTEE ON LABOR AND INDUSTRY.

The meeting was called to order by Chairman David Heinemann at 9:00 a.m. on January 25, 1993, in Room 526-S of the Capitol.

All members were present except: Representative Webb (excused)

Committee staff present: Jerry Ann Donaldson, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Kay Scarlett, Committee Secretary

Conferees appearing before the committee:

Joe Dick, Secretary, Kansas Department of Human Resources  
Bob Stacks, Director, Division of Employment Security  
Bill Layes, Chief of Research and Analysis  
Paul Bicknell, Chief of Contributions  
Bill Clawson, Chief of Benefits

Others attending: See attached list

Joe Dick, Secretary, Kansas Department of Human Resources, introduced Bob Stacks, Director, Division of Employment Security, Kansas Department of Human Resources, who provided information on the status of the Unemployment Insurance Trust Fund. This is a special fund primarily consisting of contributions collected from employers, as well as interest on the money collected, for the payment of unemployment benefits. All monies are deposited through the Secretary of the Treasury of the United States and credited to the State's account in the Federal Unemployment Insurance Fund. (Attachment 1)

Mr. Stacks introduced Bill Layes, Chief of Research and Analysis; Paul Bicknell, Chief of Contributions; and Bill Clawson, Chief of Benefits. Combined these men have over 90 years experience in unemployment insurance and statistics.

Bill Layes, Chief of Research and Analysis, covered the current financial position of the Kansas Unemployment Insurance Benefit Trust Fund. The current trust fund balance is just under \$600 million. Kansas' total benefit outlays during calendar year 1992 were approximately \$185 million. Kansas ranks in the top 10 among the 50 states in all measures of trust fund adequacy. (Attachment 2)

An error on page 1, Attachment 2, the minimum weekly benefit in 1993 is \$59, not \$69, was called to the committee's attention by Representative Donovan.

The meeting adjourned at 9:45 a.m. The next meeting is scheduled for January 26, 1993.

## GUEST LIST

COMMITTEE: HOUSE LABOR AND INDUSTRY

DATE: 01 25 93

[illegible]

**TESTIMONY**  
**STATUS OF THE UNEMPLOYMENT INSURANCE TRUST FUND**

**HOUSE LABOR AND INDUSTRY COMMITTEE**

**Monday, January 25, 1993**

Mr. Chairman, members of the committee; my name is Bob Stacks, I am Director of the Division of Employment Security (more commonly referred to as the Unemployment Insurance Division) at the Kansas Department of Human Resources. At the request of this committee, I will be providing information with regard to the status of the Unemployment Insurance Trust Fund. To accomplish this I have with me today three key administrators in the Agency whose Departments are affected one way or another by the status of the Unemployment Insurance Trust Fund. First is Mr. Bill Layes who is Chief of the Agency's Labor Management Information Services Section and the Agency's primary research component; secondly is Mr. Paul Bicknell, Chief of Contributions and Mr. Bill Clawson, Chief of Benefits. Between the four of us I believe we should be able to answer any questions you might have regarding the Unemployment Insurance Trust Fund.

With the Chairman's permission I would like to begin with some background information on the Trust Fund and then turn the podium over to Mr. Bill Layes who will then provide more detailed information with regard to the Trust Fund and further explain the data that we have provided for you in the packet we handed out earlier.

For all intents and purposes, the Kansas Employment Security Fund (the Unemployment Insurance Trust Fund) is an account provided for in K.S.A. 44-712 of the Kansas Employment Security Law. It is a special fund primarily consisting of contributions collected from employers, as well as earned interest on the monies collected. Money credited to the account is used primarily for the payment of unemployment claimant benefits. All monies deposited in this account are done so through the Secretary of the Treasury of the United States and are credited to the State's account in the Federal Unemployment Insurance Fund. Interest on this account is earned quarterly with each State's account credited with a pro-rata share. The monies to pay benefits to qualified unemployed in Kansas are requisitioned from the State's account in the federal fund on a daily basis.

At the close of calendar year 1991 the reserve fund balance stood at 560.3 million dollars. Of that, earned interest accounted for 46.8 million dollars. At the close of calendar year 1992, the reserve fund balance was slightly in excess of 600 million dollars and will earn interest of between 47 and 52 million dollars. Kansas has consistently ranked in the top ten nationally with respect to trust fund solvency and continues to be applauded by U.S. Department of Labor representatives as one of the better managed funds. In contrast, our sister state of Missouri will deplete the last remaining funds in their account at the end of this month and will be required to borrow from the Federal government to pay unemployment benefits while at the same time proposing significant surcharges to employers in an attempt to rebuild fund balances. With that I would like to turn the podium over to Bill Layes who will provide you with more specific information on the UI Trust Fund.

*House Labor and Industry*  
*Attachment 1*  
*1-25-93*

CURRENT FINANCIAL POSITION OF

KANSAS UNEMPLOYMENT INSURANCE

BENEFIT TRUST FUND

. . . PREPARED FOR

HOUSE LABOR AND INDUSTRY COMMITTEE

MEETING OF JANUARY 25, 1993

JOE DICK, SECRETARY

KANSAS DEPARTMENT OF HUMAN RESOURCES  
DIVISION OF STAFF SERVICES  
LABOR MARKET INFORMATION SERVICES  
JANUARY 1993

KANSAS DEPARTMENT OF HUMAN RESOURCES



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*House Labor and Industry*  
*Attachment 2*  
*1-25-93*

EXECUTIVE SUMMARY  
KEY FACTS  
Kansas Unemployment Insurance  
State Fiscal Year 1992 a/

- 74,000 persons received 1,069,834 weekly payments in SFY 1992.
- Weekly UI benefits ranged from \$57.00 to \$231.00 in 1992. In 1993, the minimum payment is \$69.00 and the maximum payment is \$239.00. Benefit payments are based on a claimant's prior earnings in insured work.
- A total of \$184.8M was paid in UI benefits in SFY 1992.
- The average time a claimant drew benefits was 14.5 weeks.
- 58,588 Kansas employers were covered under the Kansas Employment Security Law.
- An employer is liable for UI taxes on the first \$8,000 in wages for each employee. The average UI tax in calendar year 1990 was 2.51%, or approximately \$201.00, per employee. The highest employer UI tax was 6.45 and the lowest was .05%.
- In CY 1992, Kansas employers paid \$171.4M in UI contributions.
- Kansas UI Trust Fund monies are held in the U. S. Treasury. Money is drawn daily to meet an estimated outlay.
- The average interest rate on funds held in the U. S. Treasury was 8.82% in calendar year 1991.

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a/ All data are for State Fiscal Year 1992 except as noted.

Graph 1  
US and Kansas Unemployment Rates  
1980--1992

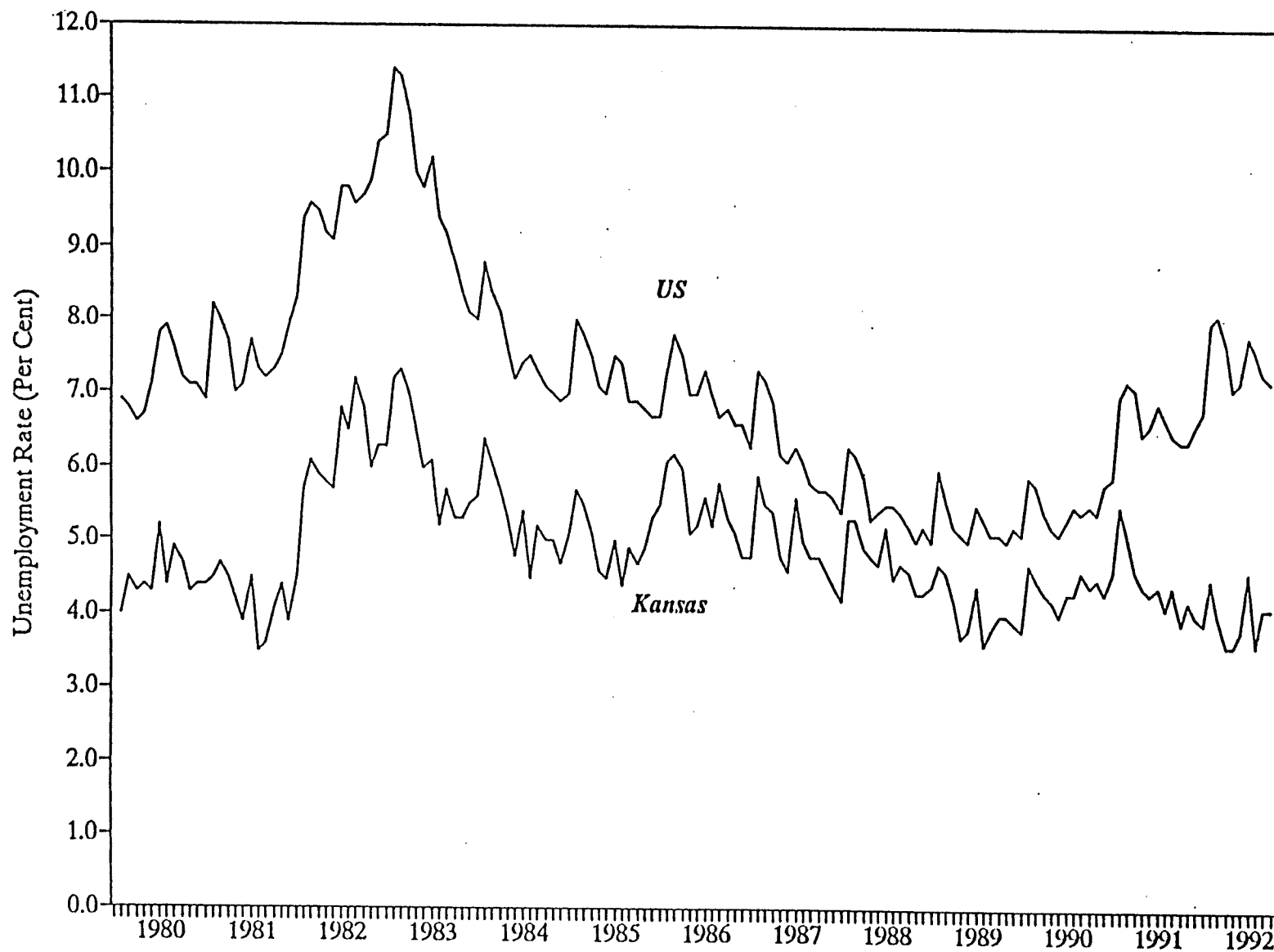


Table 1  
Kansas Labor Market Summary  
1982--1992 Actual; 1993--1994 Projected  
July--June Fiscal Years

Period	FY82	FY83	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94
Civilian Labor Force--Place of Residence Data													
Civilian Labor Force	1,177,214	1,195,722	1,185,953	1,224,847	1,229,168	1,251,024	1,280,269	1,282,127	1,292,668	1,296,289	1,309,589	1,331,000	1,352,000
Employment	1,118,386	1,116,901	1,120,377	1,163,734	1,163,772	1,185,581	1,218,168	1,226,425	1,239,752	1,236,894	1,256,552	1,277,000	1,298,000
Unemployment	58,828	78,821	65,576	61,113	65,396	65,443	62,101	55,702	52,916	59,395	53,037	54,000	54,000
Unemployment Rate	5.0	6.6	5.5	5.0	5.3	5.2	4.9	4.3	4.1	4.6	4.0	4.1	4.0
Nonfarm Wage and Salary Employment--Place of Work Data (in thousands)													
All Industries	940.4	911.1	942.8	967.2	975.0	992.0	1,021.1	1,051.1	1,077.3	1,089.9	1,108.1	1,129.0	1,149.0
Goods Producing Industries	242.6	217.4	231.4	236.8	232.9	230.9	234.1	233.5	236.1	236.2	237.6	240.0	242.0
Mining	20.4	17.4	17.6	17.5	15.0	11.0	11.2	9.7	9.6	10.2	9.6	10.0	10.0
Construction	40.3	39.1	41.6	43.2	42.9	45.0	43.7	40.5	41.0	41.2	44.2	46.0	47.0
Manufacturing	181.9	160.9	172.2	176.1	175.0	174.9	179.2	183.3	185.5	184.8	183.8	184.0	185.0
Services Producing Industries	697.8	693.7	711.4	730.4	742.1	761.1	787.0	817.6	841.2	853.7	870.5	889.0	907.0
Transportation & Public Utilities	61.8	61.7	63.1	64.4	63.1	62.3	63.5	65.2	66.9	65.5	64.9	65.0	65.0
Wholesale and Retail Trade	229.3	226.6	233.8	242.8	245.0	249.6	255.7	263.7	267.5	268.5	270.8	274.0	277.0
Finance, Insurance & Real Estate	48.6	49.3	50.7	52.1	53.6	55.7	57.5	57.9	58.1	58.4	58.2	59.0	59.0
Services	173.2	173.1	180.3	183.8	189.6	197.5	208.2	223.1	237.5	244.9	253.8	264.0	274.0
Government	184.9	183.0	183.5	187.3	190.8	196.0	202.1	207.7	211.2	216.4	222.8	227.0	232.0
Other Categories													
Farm Employment	60.7	62.2	59.9	64.0	64.0	60.3	57.5	57.0	56.7	56.0	53.1	52.0	51.0

10/6/92 Kansas Department of Human Resources, Labor Market Information Services, phone (913) 296-5058. Developed in cooperation with the U. S. Bureau of Labor Statistics.

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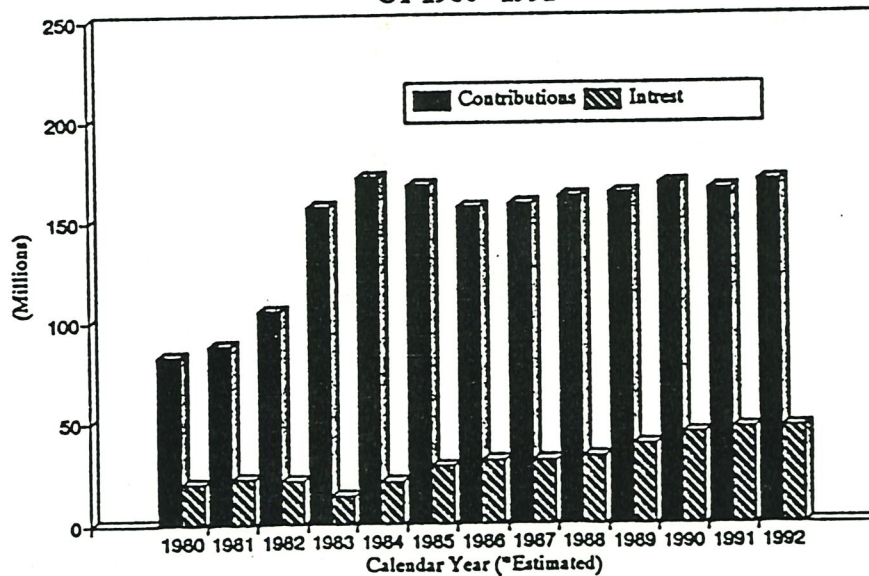
Table 2  
Benefits, Contributions, and Interest  
CY 1980 - 1992

Calendar Year	Reserve Fund Balance (Dec. 31)	Benefits Paid (000,000)	Contributions Received (000,000)	Interest Earned	
				Amount (000,000)	Per Cent 1/
<b>TOTAL</b>	<b>N/A</b>	<b>\$2,042.9</b>	<b>\$1,919.4</b>	<b>\$397.8</b>	<b>9.43%</b>
1980	\$218.8	117.7	83.3	20.0	8.53
1981	220.9	112.3	88.2	22.1	9.99
1982	135.1	217.8	105.7	21.4	11.29
1983	152.5	165.9	157.5	14.0	10.44
1984	234.7	112.8	172.2	20.6	10.18
1985	295.7	139.7	167.9	28.2	10.34
1986	322.7	168.4	157.0	31.1	9.77
1987	355.0	166.1	158.3	30.9	8.99
1988	404.5	148.9	162.1	32.8	8.51
1989	461.9	153.4	163.6	38.5	8.74
1990	526.9	152.0	168.2	44.4	8.81
1991	560.3	184.5	165.6	46.8	8.61
1992 (est)	592.0	203.4	169.8	47.0	8.42

N/A Not Applicable.

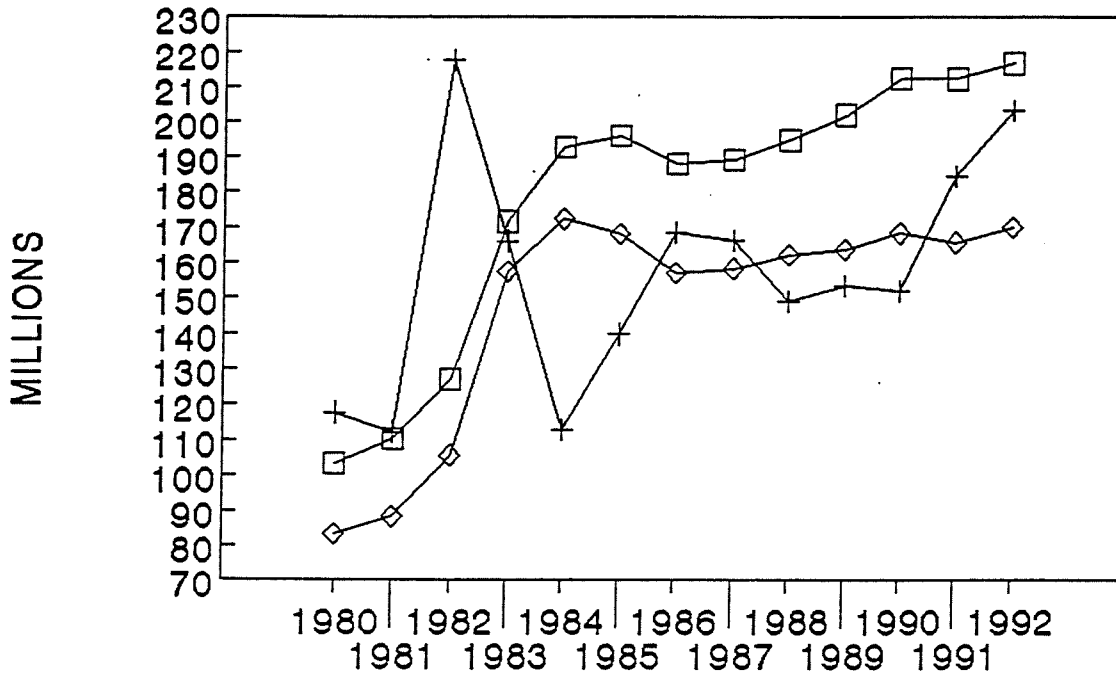
1/ The per cent of interest earned to the average fund balance is calculated by dividing the amount of interest earned in a year by the average of the 12 end-of-month fund balances, and multiplying times 100.

Graph 2  
Contributions and Interest  
CY 1980 - 1992





Graph 3  
KEY TRUST FUND FACTORS  
calendar years 1980 – 1992

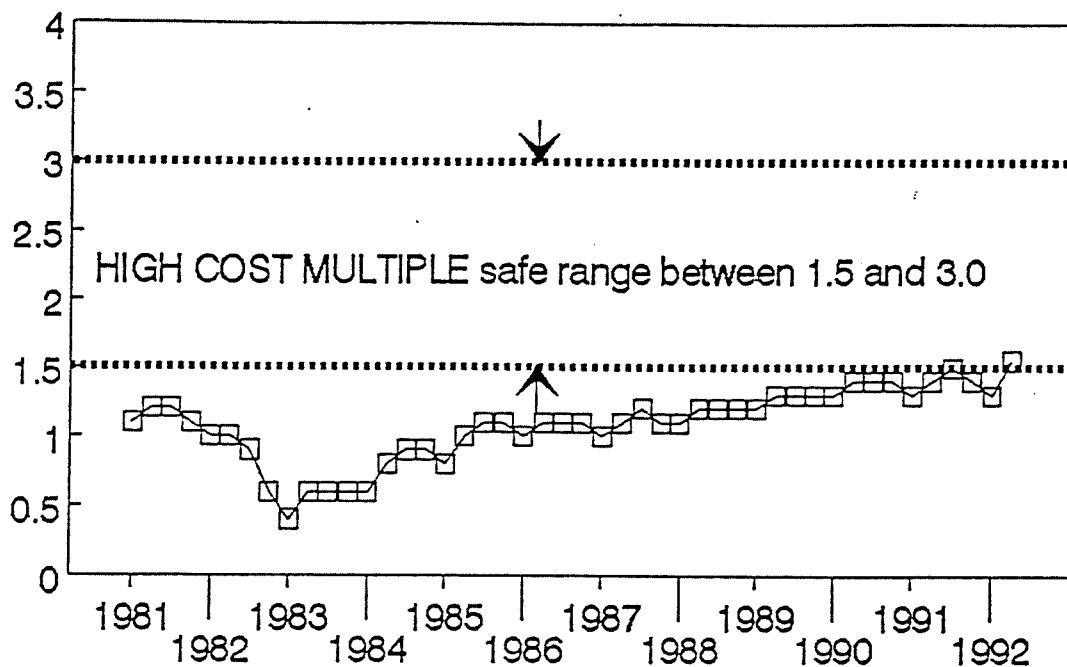


□ TOTAL INCOME + BENEFIT PAYMENTS ◇ CONTRIBUTIONS

1/ Total trust fund income represents the sum of employer contributions and interest.

- \* Benefit payments, as might be expected, varied widely during the period ranging from a low of \$112m during 1981 to a high of \$217m during 1982.
- \* Benefit payments have exceeded contributions by \$123.5m during this period
- \* Due principally to interest earnings, total contributions to the fund have increased only slightly in the last six years.

Graph 4  
KANSAS HIGH COST MULTIPLE  
1981 - 1992 BY QUARTER



The "High Cost Multiple" is a measure of U.I. trust fund adequacy among states. The ideal, or "safe" range is between 1.5 and 3.0.

The Kansas HCM of 1.55 means that if a recession equal in severity to that of 1982-1983 were to occur, the state's current reserves could pay benefits for 1.55 years or 18.6 months. Simply stated, the HCM says that the level of reserves in a state should be at a level of at least one and one half (1.5) times the highest 12 month payout in the last 15 years. As the level of the HCM approaches 3.0, the state may be taxing excessively and steps should be taken to reduce the employer contribution.

Table 3  
COMPARATIVE REGIONAL HIGH COST MULTIPLE STATISTICS

STATE	HIGH COST MULTIPLE	RANK	T.F. BALANCE (JUNE '92)
U.S. AVERAGE	0.64	XXX	\$29,230,711,000
ARKANSAS	0.22	46	\$82,166,000
COLORADO	0.89	24	\$322,458,000
IOWA	1.22	12	\$579,648,000
<b>KANSAS</b>	<b>1.55</b>	<b>6</b>	<b>\$599,525,000</b>
MISSOURI	0.08	49	\$60,910,000
NEBRASKA	0.99	22	\$151,829,000
OKLAHOMA	1.63	4	\$425,739,000

Table 4  
CURRENT RESERVE ANALYSIS  
CURRENT RESERVES COMPARED TO PAYMENTS (last 12 months)  
2nd QTR. 1992 A/

<u>STATE</u>	<u>MONTHS OF BENEFITS IN T.F.</u>	<u>STATE RANKING</u>
U.S. AVERAGE	13.6	XXX
ARKANSAS	5.3	45
COLORADO	21.4	32
IOWA	35.5	15
<b>KANSAS</b>	<b>38.9</b>	<b>8</b>
MISSOURI	1.8	49
NEBRASKA	36.0	12
OKLAHOMA	36.3	11

A/ MONTHS OF RESERVES AVAILABLE FOR PAYMENT OF BENEFITS  
ASSUMING BENEFIT LEVELS CONTINUE AT THE SAME RATE AS  
LAST 12 MONTHS.

We believe this "current reserve" analysis to be considerably less meaningful and accurate as a measure of fund adequacy compared to the "high cost multiple" since it relies solely on the immediate past as a predictor of the future. The last 12 months may or may not be an accurate indication of future benefit outlays.

Table 5  
STATES WITH LESS THAN THREE MONTHS OF BENEFITS IN THE TRUST FUND

<u>DEC. 1991</u>	<u>MARCH 1992</u>
CONNECTICUT	CONNECTICUT
DISTRICT OF COLUMBIA	DISTRICT OF COLUMBIA
MASSACHUSETTS	MASSACHUSETTS
MICHIGAN	MICHIGAN
	MAINE
	MARYLAND
	MISSOURI
	NEW YORK

Table 6  
Trust Fund Balance  
Adequacy By State  
December 1991

State	Trust Fund Balance		Reserve Fund Ratio		High Cost Multiple 1/	
	Amount (000)	U.S. Rank	Ratio	U.S. Rank	Multiple	U.S. Rank
Alabama	\$ 585,725	19	2.26 %	20	1.04	21
Alaska	243,155	34	5.00	5	1.16	17
Arizona	437,867	23	1.72	29	0.69	32
Arkansas	103,629	44	0.77	44	0.29	45
California	4,190,197	1	1.51	34	0.65	34
Colorado	312,036	29	1.11	40	0.88	27
Connecticut	0	52	0.00	52	0.00	52
Delaware	223,685	36	3.24	11	1.20	15
Dist. of Col.	12,465	51	0.12	51	0.06	51
Florida	1,691,814	4	1.85	27	1.01	22
Georgia	962,324	11	1.82	28	0.85	28
Hawaii	420,991	25	4.38	7	1.65	4
Idaho	243,573	33	4.14	8	1.31	12
Illinois	1,172,283	7	1.08	41	0.40	42
Indiana	899,139	13	2.04	23	1.14	18
Iowa	594,626	17	3.30	10	1.26	13
Kansas	571,904	20	2.93	15	1.49	9
Kentucky	357,940	26	1.59	33	0.57	38
Louisiana	559,975	21	2.17	22	0.71	31
Maine	77,553	47	1.01	42	0.35	44
Maryland	224,970	35	0.59	48	0.27	47
Massachusetts	0	52	0.00	52	0.00	52
Michigan	251,000	32	0.32	49	0.09	50
Minnesota	309,473	30	0.81	43	0.41	40
Mississippi	348,593	27	2.72	18	1.38	11
Missouri	119,473	43	0.30	50	0.15	49
Montana	91,119	46	1.95	25	0.64	35
Nebraska	146,184	40	1.43	37	0.96	23
Nevada	295,919	31	2.48	19	0.90	26
New Hampshire	127,995	42	1.46	36	0.58	37
New Jersey	2,564,278	2	3.16	12	0.95	24
New Mexico	220,932	37	2.76	16	1.68	3
New York	1,191,450	6	0.69	47	0.28	46
North Carolina	1,373,719	5	2.73	17	1.06	20
North Dakota	50,914	48	1.66	31	0.71	30
Ohio	647,410	15	0.74	45	0.24	48
Oklahoma	426,398	24	2.26	21	1.65	5
Oregon	1,043,810	10	5.02	4	1.56	6
Pennsylvania	1,155,988	9	1.27	38	0.38	43
Puerto Rico	750,020	14	9.76	1	2.32	2
Rhode Island	143,617	41	2.01	24	0.46	39
South Carolina	455,097	22	1.93	26	0.67	33
South Dakota	49,701	49	1.47	35	1.42	10
Tennessee	612,653	16	1.70	30	0.78	29
Texas	942,734	12	0.70	46	0.62	36
Utah	327,893	28	3.01	14	1.49	8
Vermont	192,675	38	5.06	3	1.56	7
Virginia	591,166	18	1.20	39	0.92	25
Virgin Islands	43,241	50	7.44	2	3.26	1
Washington	1,707,604	3	4.47	6	1.06	19
West Virginia	157,124	39	1.63	32	0.41	41
Wisconsin	1,171,822	8	3.09	13	1.20	14
Wyoming	98,952	45	3.52	9	1.16	16

1/ The High Cost Multiple represents the number, or fraction, of years a state could sustain a period of high benefit payments.

## SUMMARY

- Current trust fund balance (January 22, 1993) stands at \$586,987,000.
- Total benefit outlays during calendar year 1992 were \$184,799,572.
- Interest earned during the most recent 12 months was \$46.4M. Twenty-five per cent of benefit payments were accounted for by trust fund interest earnings.
- Average Kansas employer tax rate during 1992 based on total wages was .90 per cent.
- Kansas ranks in the top 10 among the 50 states in all measures of trust fund adequacy. (June 1992)

<u>Measure</u>	<u>Value</u>	<u>Rank</u>
Reserve fund ratio	3.05	12
High cost multiple	1.55	6
Month of benefits in the fund	38.9	8

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