

Approved: 2/15/93
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 4, 1993 in Room 123-S of the Capitol.

Members present: Senators Burke, Downey, Feleciano, Jr., Gooch, Harris, Hensley, Kerr, Petty, Ranson, Reynolds, Steffes and Vidricksen

Committee staff present: Jerry Ann Donaldson, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mary Jane Holt, Committee Secretary

Conferees appearing before the committee: Bob Stacks, Director, Division of Employment Security, Kansas Department of Human Resources, Topeka
William H. Layes, Chief of Research and Analysis, Labor Market Information Services, Kansas Department of Human Resources, Topeka

Others attending: See attached list

Briefing by the Department of Human Resources on the status of the unemployment insurance Trust fund.

Bob Stacks, Director, Division of Employment Security, Kansas Department of Human Resources, testified 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.

He stated at the close of calendar year 1991, the reserve fund balance stood at \$560.3 million. Of that, earned interest accounted for \$46.8 million. At the close of calendar year 1992, the reserve fund balance was slightly in excess of \$600 million and will earn interest of between \$47 and \$52 million. 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, see Attachment 1.

William H. Layes, Chief of Research and Analysis, Labor Market Information Services, Kansas Department of Human Resources, testified the current trust fund balance as of February 3, 1993 stands at \$586,765,000; total benefit outlays during calendar year 1992 were \$184,799,572; interest earned during the most recent 12 months was \$47,000,000; average Kansas employer tax rate during 1992 based on total wages was .90 percent; and Kansas ranks in the top 10 among the 50 states in all measures of trust fund adequacy.

Mr. Layes, regarding benefits to claimants, stated 74,000 persons received 1,069,834 weekly payments in State Fiscal Year (SFY) 1992; weekly payments ranged from a \$57.00 minimum to a \$231.00 maximum; total benefits of \$184,800,000 were paid during SFY 1992; the average time a claimant drew benefits was 14.5 weeks; and the average total unemployment rate for SFY 1992 was 4.0 percent. He also stated in regard to employer contributions, the employer is liable for contributions on the first \$8,000 of wages for each employee; range of rates for calendar year (CY) 1993 is from .05 percent to 6.40 percent; and a total of \$171,400,000 was paid in employer contributions during CY 1992, see Attachment 2.

In answer to Committee questions, he replied the comparative regional high cost multiple statistics

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m. on February 4, 1993.

“safe” range is between 1.5 and 3.0, and Kansas is 1.55. Kansas has 39 months of reserves available. The Employment Security Advisory Council, which recommended SB 144 and SB 145, meets two or three times a year and is composed of four representatives each from management, labor and the public.

Briefing on SB 145-Employment security law, regular and extended benefits, employer contribution rates and board of review compensation.

Bob Stacks, Director of the Division of Employment Security, Kansas Department of Human Resources, explained the ten percent reduction in total income from employers is estimated to be \$18.1 million the first year. He also stated the bill increases the salaries for the three Board of Review members from \$15,000 to \$24,000, see Attachment 3.

The Chairman announced the committee will hold hearings on **SB 144 and SB 145** tomorrow, as well as **SB 12**.

The Committee meeting was adjourned at 9:00 a.m.

The next meeting is scheduled for February 5, 1993.

GUEST LIST

COMMITTEE: SENATE COMMERCE COMMITTEE

DATE: 2/4/93

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TESTIMONY
STATUS OF THE UNEMPLOYMENT INSURANCE TRUST FUND

SENATE COMMERCE COMMITTEE
Thursday, February 4, 1993

Madam 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.

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CURRENT FINANCIAL POSITION OF
KANSAS UNEMPLOYMENT INSURANCE
BENEFIT TRUST FUND

. . . PREPARED FOR
SENATE COMMERCE COMMITTEE
MEETING OF FEBRUARY 4, 1993

JOE DICK, SECRETARY

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

KANSAS DEPARTMENT OF HUMAN RESOURCES



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

Benefits to Claimants

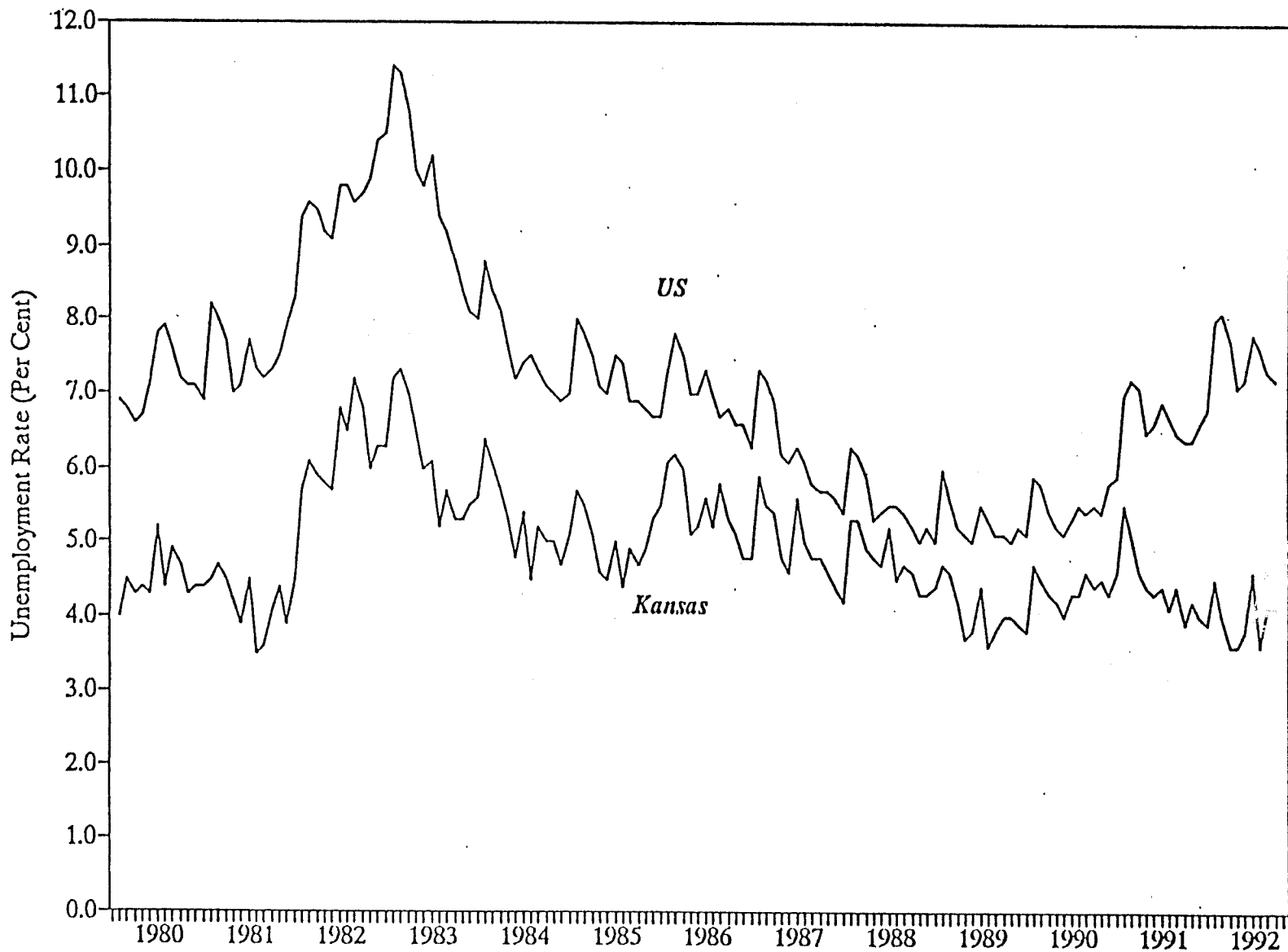
- 74,000 persons received 1,069,834 weekly payments in SFY 1992.
- Amount of weekly payments ranged from a \$57.00 minimum to a \$231.00 maximum. Size of weekly benefit is based on the claimant's prior earnings.
- Total benefits of \$184,800,000 were paid during SFY 1992.
- The average time a claimant drew benefits was 14.5 weeks.
- The average total unemployment rate for SFY 1992 was 4.0 per cent.

Employer Contributions

- Employer is liable for contributions on the first \$8,000 of wages for each employee.
- Range of rates for CY 1993 is from .05% to 6.40%.
- A total of \$171,400,000 was paid in employer contributions during CY 1992.
- Kansas trust fund monies are held in the U. S. Treasury and drawn daily to meet benefit outlay.
- Interest earned during CY 1992 was \$47,000,000.

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

Graph 1
US and Kansas Unemployment Rates
1980--1992



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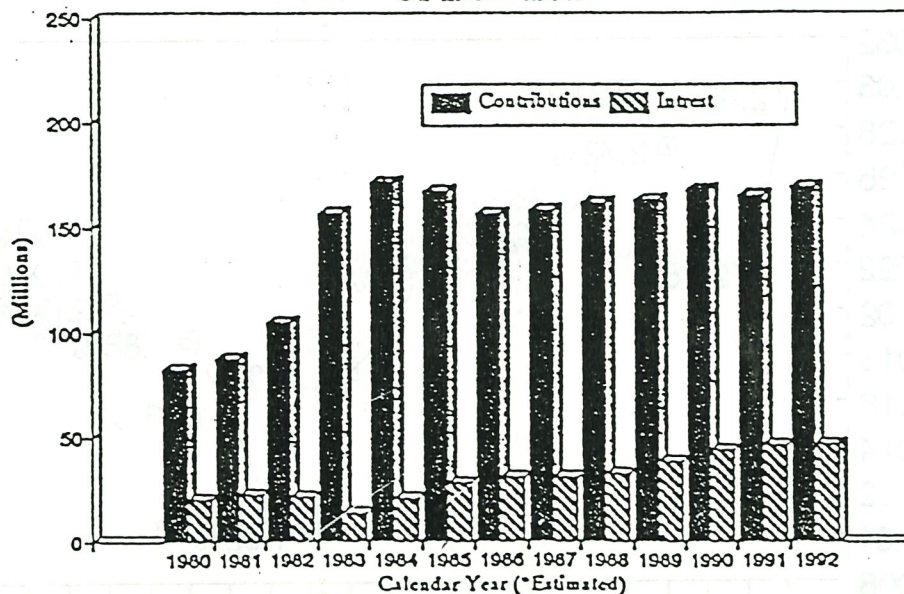
Table 2
Benefits, Contributions, and Interest
CY 1980 - 1992

Calendar Year	Reserve Fund Balance (Dec. 31)	Benefits Paid (000,000)	Contributions Received (000,000)	Interest Earned	
				Amount (000,000)	Per Cent ^{1/}
TOTAL	N/A	\$2,024.3	\$1,921.0	\$397.8	9.43%
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	592.0	184.8	171.4	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



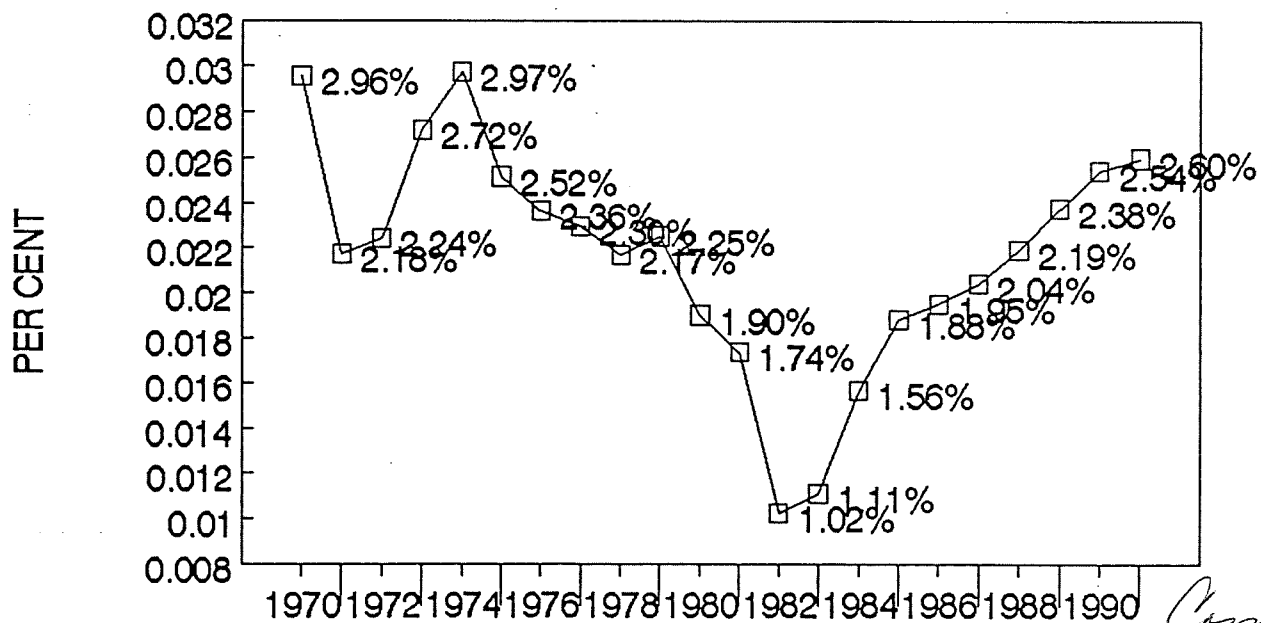
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Table 3

CONTRIBUTIONS, BENEFITS, and TRUST FUND BALANCE 1970 - 1991

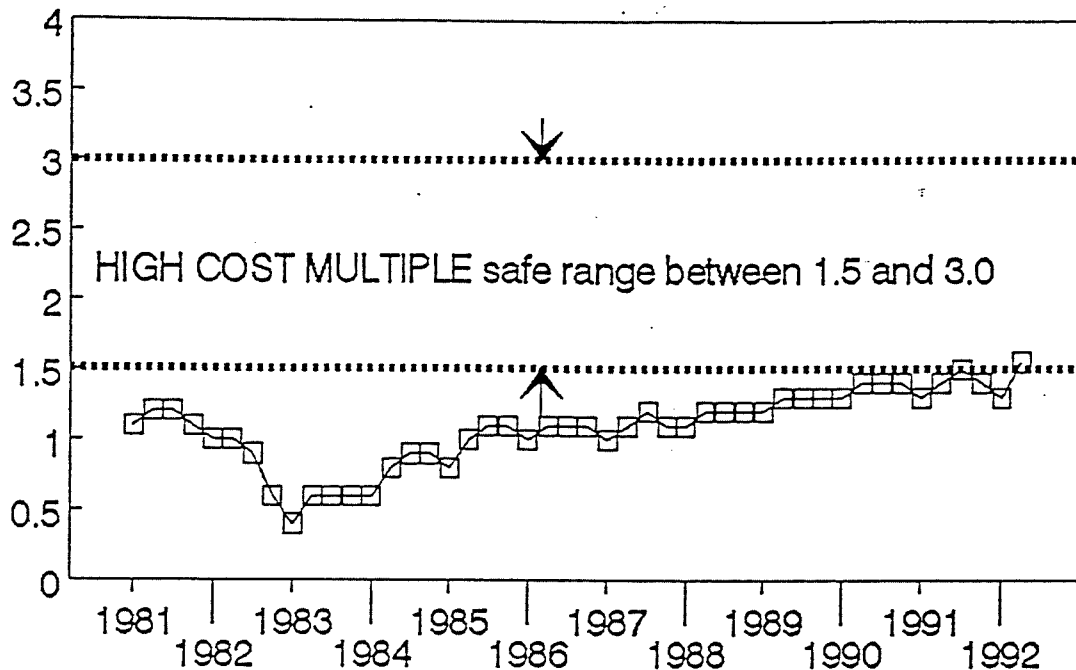
CALANDER YEAR	CONTRIBUTIONS AS A PER CENT OF TOTAL WAGES	BENEFITS AS A PER CENT OF TOTAL WAGES	T. FUND BALANCE AS A PER CENT OF TOTAL WAGES
AVERAGE	0.90%	0.90%	2.03%
1970	0.53%	1.24%	2.96%
1971	0.56%	1.20%	2.18%
1972	0.99%	0.61%	2.24%
1973	1.14%	0.48%	2.72%
1974	1.07%	0.72%	2.97%
1975	0.98%	1.15%	2.52%
1976	0.92%	0.89%	2.36%
1977	0.92%	0.82%	2.30%
1978	0.89%	0.51%	2.17%
1979	0.76%	0.57%	2.25%
1980	0.72%	1.02%	1.90%
1981	0.69%	0.88%	1.74%
1982	0.80%	1.65%	1.02%
1983	1.15%	1.21%	1.11%
1984	1.15%	0.75%	1.56%
1985	1.07%	0.89%	1.88%
1986	0.95%	1.02%	1.95%
1987	0.91%	0.96%	2.04%
1988	0.88%	0.81%	2.19%
1989	0.84%	0.79%	2.38%
1990	0.81%	0.73%	2.54%
1991	0.78%	0.10%	2.60%

Graph 3
RESERVES AS A PER CENT OF TOTAL WAGES
CY 1970 - 1991



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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 4
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
KANSAS	1.55	6	\$599,525,000
MISSOURI	0.08	49	\$60,910,000
NEBRASKA	0.99	22	\$151,829,000
OKLAHOMA	1.63	4	\$425,739,000

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Table 5
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
KANSAS	38.9	8
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 6
STATES WITH LESS THAN THREE MONTHS OF BENEFITS IN THE TRUST FUND

DEC. 1991

CONNECTICUT
DISTRICT OF COLUMBIA
MASSACHUSETTS
MICHIGAN

MARCH 1992

CONNECTICUT
DISTRICT OF COLUMBIA
MASSACHUSETTS
MICHIGAN
MAINE
MARYLAND
MISSOURI
NEW YORK

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Table 7
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.

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SUMMARY

- Current trust fund balance (February 3, 1993) stands at \$586,765,000.
- Total benefit outlays during calendar year 1992 were \$184,799,572.
- Interest earned during the most recent 12 months was \$47,000,000. 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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SB 145
KANSAS DEPARTMENT OF HUMAN RESOURCES
UNEMPLOYMENT INSURANCE LEGISLATIVE PACKAGE

	<u>Item Description and Statutory Citation</u>	<u>Fiscal Impact</u>
Pg. 16-19 Pg. 22; lines 21-31	Reduction in total yield, K.S.A. 44-710a(a)(3). This revision would be a ten per cent reduction in total income using schedule III.	Reduction in income from employers estimated to be 18.1 million the first year.
Pg. 10; lines 32-35	Increase in salary for Board of Review members, K.S.A. 44-709(f)(3). This modification would increase Board of Review salaries not to exceed \$24,000. Current salary is \$15,000.	Increase would be \$27,000.
Pg. 2; lines 38-39	Change in earnings limitation on weekly benefit amount, K.S.A. 44-704(e). Current statute provides claimant may earn up to 25 per cent of WBA not to exceed \$47.00 before a dollar for dollar reduction is applied. This amendment would remove the \$47.00 limit. This would apply only to individuals whose WBA is \$189.00 or more.	Increase in benefit payments during state FY 1992 would be approximately \$300,000.
Pg. 4; lines 15-25 & lines 35-38	Option trigger based on total unemployment rate (TUR), K.S.A. 44-704a(a)(2)(C). Additional language would be contained which would provide additional trigger-on to extended benefits when the TUR equals or exceeds 6.5 for three months and is 110% of average for the two prior years.	None at present, if state trigger on to extended benefits at cost of providing share of 50 per cent of federal and 50 per cent state trust fund.
Pg. 7; lines 5-14	Total extended benefit entitlement, K.S.A. 44-704a(e). Modify total amount of extended benefits which claimant would receive depending on severity of unemployment rate.	No extended benefit program at present.
Pg. 7; lines 40-42	Additional eligibility criteria for extended benefits. K.S.A. 44-704a(f)(4). This recommendation would allow payment of extended benefits to claimants if base period earnings equal to 40 times the weekly benefit amount.	No fiscal impact at present. No extended benefit program.

<u>Item</u>	<u>Unemployment Period</u>	
	<u>Intermediate</u>	<u>High</u>
Total unemployment rate (TUR) trigger	6.5% for 3 months & 110% of 2 prior years	8.0% for 3 months & 110% of 2 prior years
Total extended amount is lesser of:		
A. Per cent of regular program entitlement, or	50%	80%
B. Maximum Weeks	13	20

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SB 144
KANSAS DEPARTMENT OF HUMAN RESOURCES
UNEMPLOYMENT INSURANCE LEGISLATIVE PACKAGE

Item Description and Statutory Citation

Fiscal Impact

Pg. 3; lines 21-28

Extended and EUC eligibility criteria same as regular program, K.S.A. 44-704b(b). Change needed in extended benefits and EUC program. This change would allow claimant eligibility and qualifications tests under EB and EUC to be identical to the state regular program. This change would need to be effective March 6, 1993.

Conformity issue.

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