

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 12, 1994, in Room 526-S of the Capitol.

All members were present except: Representative Jim Garner (excused)

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

Conferees appearing before the committee:

William H. Layes, Chief of Research and Analysis, Department of Human Resources

Others attending: See attached list

Chairman Heinemann welcomed the committee back for the 1994 legislative session stating that, hopefully, we wouldn't have as pressing an agenda as last session. He then introduced the first conferee of 1994, Bill Layes, Chief of Research and Analysis, with the Department of Human Resources, who briefed the committee on the status of the state unemployment fund.

Mr. Layes introduced department technical staff, Paul Bicknell, Chief of Tax, and Sam Orozco, Chief of Benefit Field Operations. He provided the committee with a copy of the Kansas Employment Security Advisory Council 1993 Annual Report for information purposes. (Attachment 1) He then briefed the committee on the current financial position of the benefit trust fund (Attachment 2) and the contributions collected and benefits paid by the unemployment insurance program. (Attachment 3)

Unemployment in Kansas in calendar year 1993 was 4.3 percent, compared to 6.4 percent, nationally. A total of about \$168 million was paid in unemployment benefits in 1993, which was down slightly from the previous year. Average weeks of duration was approximately 14.5 weeks. Under the regular program, a claimant can draw up to 26 weeks of benefits. Emergency unemployment compensation in existence the past 2.5 years and funded totally by the federal government can extend this another 7 weeks.

Almost 60,000 employers are currently covered by the program, being subject to taxation on the first \$8,000 of wages per employee each year. In 1993 approximately \$171 million was collected in contributions. Those funds are held in the U.S. treasury, currently earning nearly 8 percent interest. Much of the growth of the trust fund is due to interest accumulation. About 27 percent of payout is accounted for through interest earnings. From 1983 to 1993, there has been an increase of about 16,000 jobs in the goods producing industries, while there have been almost 200,000 new jobs in service producing industries. Over 90 percent of growth has been in the service producing industries. This is true all over the United States, not just in Kansas.

Senate Bill 145 passed by the 1993 Legislature reduced employer contributions by 10 percent. This reduced the total yield required for 1994 from \$165.7 million to \$147.0 million, or approximately \$18 million. New employers are assigned a new employer rate based on comparable industries. An employer's experience rating is based on 24 months of chargeability, it takes about 3 years before an experience rating can be established. Employer rates are based on taxable payroll, direct charges to their account, and to a lesser degree ratings of other similar employers. The average Kansas employer tax rate during 1993 based on total wages was .90 percent. The current trust fund balance as of January 7, 1994, stands at \$642,484,000. Interest earned during the past 12 months was \$45.5 million.

The Chairman thanked Mr. Layes for addressing the committee and introduced Joe Dick, Secretary, Kansas Department of Human Resources, who was present.

The meeting adjourned at 9:34 a.m. The next meeting is scheduled for January 13, 1994.

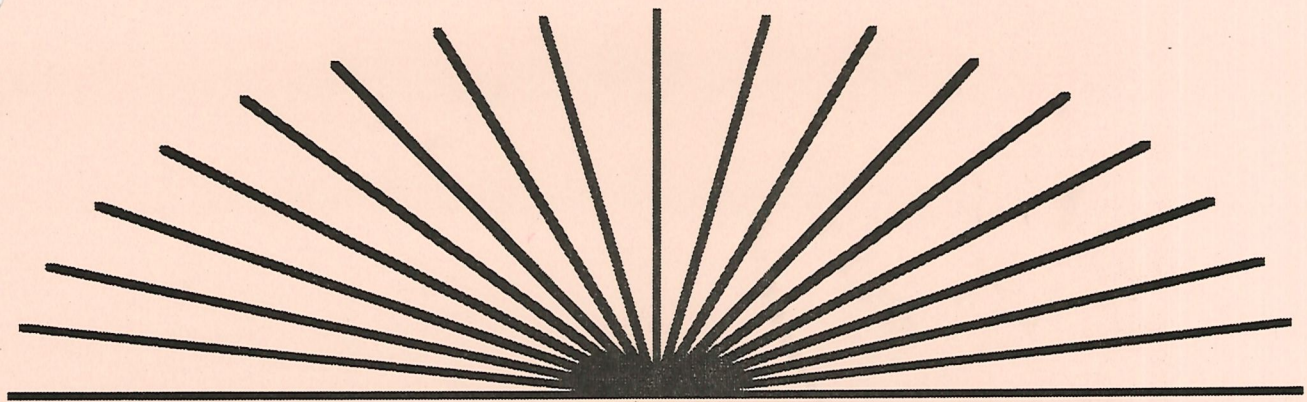
## GUEST LIST

COMMITTEE: HOUSE LABOR AND INDUSTRY

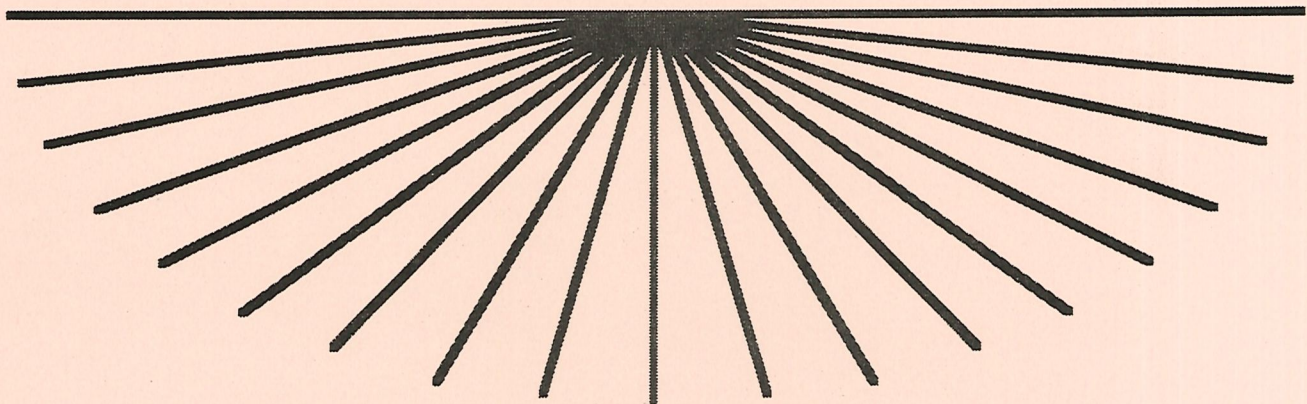
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# **KANSAS EMPLOYMENT SECURITY ADVISORY COUNCIL**



**1993  
ANNUAL REPORT**

*House Labor and Industry  
Attachment 1  
1-12-94*



...prepared by the Kansas Department of Human Resources

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**KANSAS EMPLOYMENT SECURITY**

**ADVISORY COUNCIL REPORT**

**OCTOBER 1993**

**The Honorable Joan Finney  
Governor  
State of Kansas**

**Joe Dick, Secretary  
Department of Human Resources**

**Bob Molander, Director  
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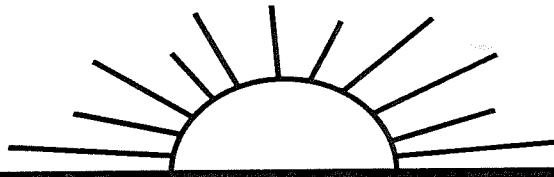
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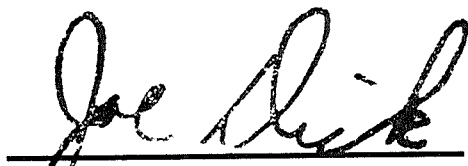


## From the SECRETARY...

The Employment Security Advisory Council is composed of representatives from industry, labor, and the public to advise the Secretary of the Department of Human Resources for the purpose of meeting the goals of the Department. The 1993 Annual Report of the Kansas Employment Security Advisory Council is presented in appreciation of the work of the Council members. The current members are listed on page iii. In accordance with the Employment Security Law, the Council "...aid(s) the Secretary in formulating policies, and discussing problems related to the administration of (the) act and in securing impartiality and freedom from political influence in the solution of such problems".

Prior to and during the 1993 Kansas Legislative Session, the Council met twice. A list of changes made to the Kansas Employment Security Law by the 1993 Legislature is found on page vii. All of these changes were discussed and acted upon by the Council.

Each year the Advisory Council reviews the status of the Employment Security Trust Fund for adequacy in meeting benefit costs. Monies from the trust fund are used for unemployment insurance payments which are intended to meet the need of workers who are displaced due to no fault of their own. This report focuses on factors which impact on the trust fund. The first section highlights trends in the level of the fund and benefit costs. Latter sections provide information about employer tax rates, and claimant benefit provisions and charges. The data selected in this report represent the last 10 years of experience with the unemployment insurance program in Kansas.

  
\_\_\_\_\_  
Joe Dick  
Secretary of Human Resources

## **KANSAS UNEMPLOYMENT INSURANCE SFY 1993 HIGHLIGHTS**

- The preliminary insured unemployment rate for SFY 1993 is 2.0 per cent, down from 2.2 per cent for SFY 1992.
- The monthly insured unemployment rates during SFY 1993 were lower than or equal to those of SFY 1992 except in July and August.
- All major unemployment activities experienced declines in SFY 1993 compared to SFY 1992.
- The total number of continued claims in Kansas during SFY 1993 was 1,097,607, down 9.5 per cent from the prior year.
- The number of initial claims filed by individuals previously employed in Kansas was 137,808 down over 15 per cent from SFY 1992.
- Total benefits of \$179.4M was the third highest on record, exceeded only by the amount of \$223.1M paid in 1983 and \$184.8M in 1992.
- The average weekly benefit amount was \$180.01; the maximum, \$239.00.
- The Reserve Fund balance as of June 30, 1993 was \$632.2M. As disbursements exceeded contributions by \$1.9M the fund balance upswing was a result of nearly \$60.0M in interest received.
- During SFY 1993, \$1,212,104 was paid to claimants of the Kansas Work Share Compensation program.
- Under the Emergency Unemployment Compensation program, \$78,766,485 was paid to claimants in Kansas in SFY 1993. Benefits are paid entirely by federal funds.

## **EMPLOYMENT SECURITY LAW 1993 LEGISLATIVE CHANGES**

The 1993 Legislature made changes to the Kansas Employment Security Law through the passage of Senate Bill 145. A brief explanation of the major changes resulting from this bill, plus the effective date of change, is provided below.

### **Change in Earnings Limitation** **K.S.A. 44-704(e)**

Effective with the first week of unemployment after July 1, 1993, a claimant may earn up to, and including, 25 per cent of the claimant's determined weekly benefit amount (WBA) before a dollar for dollar reduction is applied. The \$47.00 upper limit on earnings before reduction is removed.

### **Optional Trigger Based on Total Unemployment Rate (TUR)** **K.S.A. 44-704a(a)(2)(c)**

Effective July 1, 1993, Extended Benefits (EB) can trigger on when the TUR average for three months equals or exceeds 6.5 per cent, and equals or exceeds 110 per cent of the average for the same period in either, or both, of the two preceding years.

### **Total Extended Benefit Entitlement** **K.S.A. 44-704a(e)(2)**

Modifies total amount of EB which is payable depending on severity of the unemployment rate. Effective July 1, 1993, a high unemployment period is defined as a three-month average TUR equal to or exceeding 8.0 per cent. During a high unemployment period, the maximum duration for EB would increase from 13 to 20 weeks. A claimant would be eligible for 80 per cent rather than 50 per cent of the total regular benefit amount.

### **Extended Benefit Eligibility** **K.S.A. 44-704a(f)(4)**

Effective July 1, 1993, a claimant will be eligible for EB with base period wages of 40 times the most recent WBA. This is an additional option to current law of 1 1/2 times high quarter earnings.

### **Disqualification Provisions Same for EB as Regular Claimants** **K.S.A. 44-704b(b) and 44-704b(c)**

For the period July 1, 1993 through December 31, 1994, the same disqualification provisions which apply to regular UI claimants will apply to EB claimants.

### **Misconduct Disqualification Provisions Relating to Drugs, Alcohol or Cereal Malt Beverages** **K.S.A. 44-706(b)**

Effective July 1, 1993, misconduct disqualification provisions as they relate to the use of, possession of, or impairment caused by alcohol, cereal malt beverages, or nonprescribed controlled substances (drugs) while working were expanded considerably. In most cases the definitions are more finite and strict than in the previous Law.

### **Board of Review Salary** **K.S.A. 44-709(f)(3)**

The annual salary for Board of Review members was set at \$15,000.

### **Reduction in Total Yield** **K.S.A. 44-710a(a)(3)(A)**

Effective January 1, 1994, the Fund Control Schedule is revised. It is altered to center at a planned yield of 0.90% of total wages when the reserve fund ratio is 3.000% but less than 3.050%. This change was made to reduce the total income to the trust fund by approximately 10 per cent.

# SECTION I

## KANSAS EMPLOYMENT SECURITY LAW

The Kansas Employment Security Law was enacted in 1937 in concurrence with the Federal Social Security Act of 1935. The Social Security Act created a federal unemployment tax, gave credit to employers against federal tax for taxes paid under certified state laws, provided for federal financing of administrative costs of state agencies, and gave autonomy over substantive elements of unemployment compensation programs to the individual states. The Kansas law was enacted to "... (encourage) employers to provide more stable employment and by systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor-relief assistance".

Although most state unemployment insurance laws have the same purpose, every state takes a different approach to meet the goal. In general the same groups of employees and employers are covered in all states. Coverage provisions of state laws are heavily influenced by the taxing provisions of the Social Security Act and by those of the Federal Unemployment Tax Act. It is the method of collecting taxes, paying benefits, and determining eligibility which generally differ from state to state. Various methods though may be the same in all states to comply with conformity and certification provisions of the federal laws.

Information about the regular Kansas program is discussed in this report. The last section addresses special compensation programs, the Kansas Shared Work Unemployment Compensation Program and the federal Emergency Unemployment Compensation Program.

Kansas District Unemployment Insurance Offices and their itinerant offices also administer programs for unemployed federal and military employees which are covered under Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex-Servicemen, respectively. In addition, reciprocal arrangements among

state employment security agencies (SESAs) allow local Kansas offices to process joint claims and claims of other SESAs. Certain employers are approved for coverage of unemployment benefits under the Trade Readjustment Act, P.L. 97-35. Information about these programs are not covered in this report.

Coverage of Kansas employees under the Employment Security Law varied from 78.0 per cent of total employment in 1985 to 84.0 per cent in 1991 during the 10-year period 1983-1992, as shown on Table 1. A comparison of total unemployment and insured unemployment rates for the same span of years is presented in Table 2 and depicted on Graph 1.

**Table 1**  
**Total Employment and Covered Employment**  
**Annual Average**  
**CY 1983 - 1992**

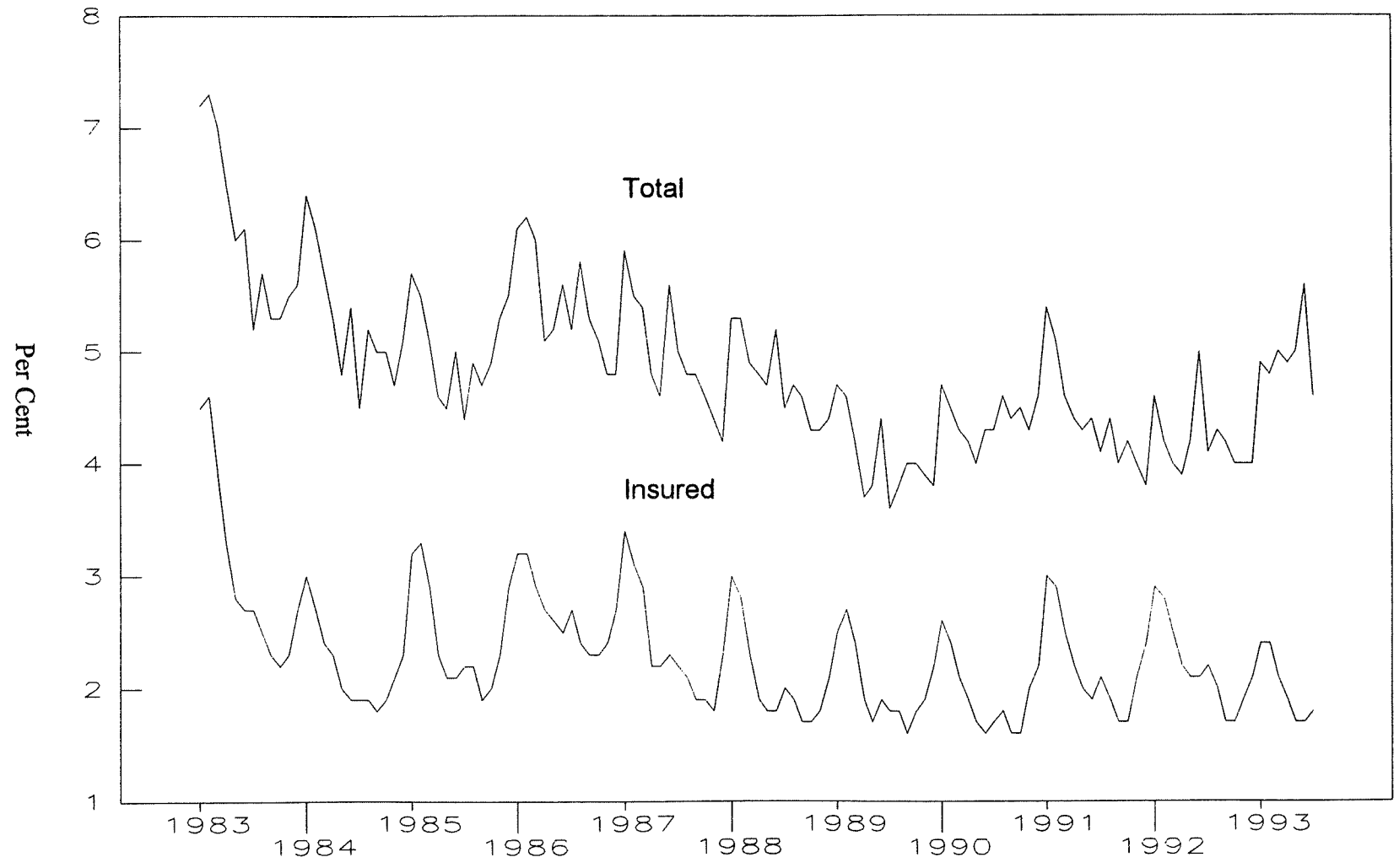
Calendar Year	Civilian Labor Force	Employment		Per Cent of Covered to Total
		Total	Covered	
1983	1,186,000	1,114,000	873,067	78.4
1984	1,196,000	1,133,000	910,118	80.3
1985	1,237,000	1,176,000	917,273	78.0
1986	1,237,000	1,169,000	932,274	79.7
1987	1,268,000	1,205,000	951,861	79.0
1988	1,282,000	1,221,000	980,846	80.3
1989	1,284,000	1,233,000	1,007,399	81.7
1990	1,300,000	1,243,000	1,034,643	83.2
1991	1,295,000	1,238,000	1,040,285	84.0
1992	1,330,000	1,274,000	1,059,894	83.2

**Table 2**  
**Total Unemployment and Insured Unemployment**  
**Annual Average**  
**CY 1983 - 1992**

Calendar Year	Total		Insured		Insured to Total Per Cent
	Number	Rate	Number	Rate	
1983	72,000	6.1	27,004	3.1	37.5
1984	63,000	5.2	19,048	2.1	30.2
1985	62,000	5.0	21,979	2.4	35.4
1986	67,000	5.4	24,378	2.6	36.4
1987	63,000	4.9	22,393	2.4	35.5
1988	61,000	4.8	19,522	2.0	32.0
1989	52,000	4.0	19,769	2.0	38.0
1990	57,000	4.4	19,117	1.8	33.5
1991	57,000	4.4	22,673	2.2	39.8
1992	56,000	4.2	22,746	2.1	40.6



Graph 1  
Unemployment Rates - Insured and Total  
Jan. 1983 - July 1993, By Month



## SECTION II

### Employment Security Trust Fund

#### *Provision for the Trust Fund*

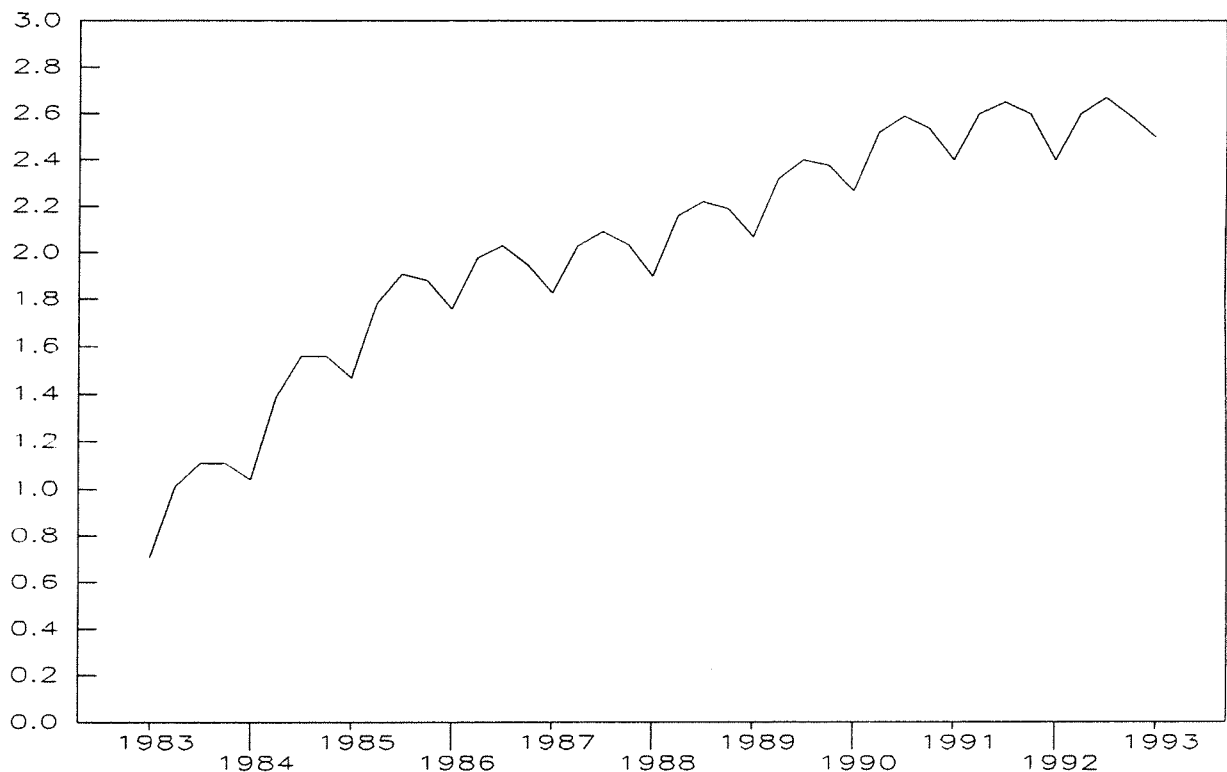
The Kansas Employment Security Fund is an account provided for in section 44-712 of the Kansas Employment Security Law. It is a special fund consisting of contributions collected from employers, interest earned, Reed Act funds, and properties and securities acquired. All monies in this fund are mingled and undivided. Money credited to this account is used primarily for the payment of claimant benefits. The Reed Act funds may be used for administrative expenses if specifically appropriated by the Kansas Legislature.

Monies in the Kansas Employment Security Fund are deposited with the Secretary of the Treasury of the United States to be credited to the Kansas account in the Federal Unemployment Insurance Fund. Interest is earned quarterly on the federal fund with each state's account credited with a pro rata share. The monies to pay benefits are requisitioned from the account in the federal fund on a daily basis.

#### *Adequacy of the Trust Fund*

At the close of the calendar year 1992, the balance of the Kansas Employment Security Fund was \$595.2M. The end-of-the-year balance has grown steadily since the 1982 - 1983 recession. The same pattern has been observed for two common measures of fund solvency, the reserve fund ratio and the high cost multiple. The reserve fund ratio is the percentage of the fund balance at a given time to wages for the preceding 12-month period. Graph 2 depicts the trend of the reserve fund ratio from 1983 to 1993. The high cost multiple is a parameter comparing the reserve fund ratio to the highest benefit cost rate during the past 15 years. Adequate levels for the reserve fund ratio and high cost multiple are considered to be 3.00 per cent, and 1.50, respectively. A comparison of the fund balance and adequacy measures is shown in Table 3 on Page 4.

Graph 2  
Reserve Fund Ratio  
Jan. 1983 - Mar. 1993, By Quarter



The high cost multiple compares current capacity of the trust fund, represented by the reserve fund ratio, with the experience of actual benefit costs in recent years. The latter is weighed according to benefit costs incurred during the recession of the early 1980's.

In recent years the reserve fund ratio has been the significant factor in the high cost multiple formula. The equation above illustrates the derivation of the high cost multiple.

$$\text{High Cost Multiple} = \frac{\text{Reserve Fund Ratio (current)}}{\text{Benefit Cost Rate (high)}} = \frac{\frac{\text{Reserves Available (current)}}{\text{Total Wages}}}{\frac{\text{Benefits Paid (high)}}{\text{Total Wages}}}$$

The reserve fund ratio is considered to be at a desirable level at 3.0--when the reserves available are three per cent of total wages. The minimum safe level for the high cost multiple is 1.5. At these desired levels, reserves would be considered sufficient for high benefit cost rates up to and

including 2.0 per cent. The Kansas trust fund financing method is based on an

annually calculated planned yield to bring the reserve fund ratio to 3.0 per cent.

The benefit cost rate in effect at this time is 1.794. This figure is the benefit cost rate of the 12-month period ending the first quarter of CY 1983, the period of the highest outlay of benefits to total wages of insured employees within 15 years. The benefit cost rate will not change unless: 1) a four quarter period with a higher benefit cost rate occurs, or 2) 15 years has elapsed since the 1983 high benefit cost rate went into effect. If the latter occurs, a new high benefit cost rate will be calculated in 1998.

If the reserve fund ratio and the benefit cost rate were the same, then the high cost multiple would be 1.0.

$$\text{High Cost Multiple} = \frac{\text{Reserve Fund Ratio (current)}}{\text{Benefit Cost Rate (high)}} = \frac{1.794}{1.794} = 1.0$$

In essence, if the high cost multiple were 1.0, the reserves available would be equal to a 12-month period, or 1.0 year, of high benefit costs relative to total wages. The high cost multiple at the end of CY 1992 was 1.4, indicating the reserves available at that time could withstand 17 months of high benefit costs, relative to total wages. Graph 3 on page 5 depicts the high cost multiple from 1983 to 1993.

### Fund Balance Movements

The 1980's commenced with a relatively stable fund balance. With the onset of the recession of 1982-1983, the balance dropped dramatically. Law changes enacted by the 1983 Legislature, using recommendations of the Advisory Council, checked the downward movement that year. Since the recession, the fund has experienced steady growth. From December 31, 1983 through December 31,

1992 the fund balance grew \$442.7M, or 290 per cent. During this period, a total of

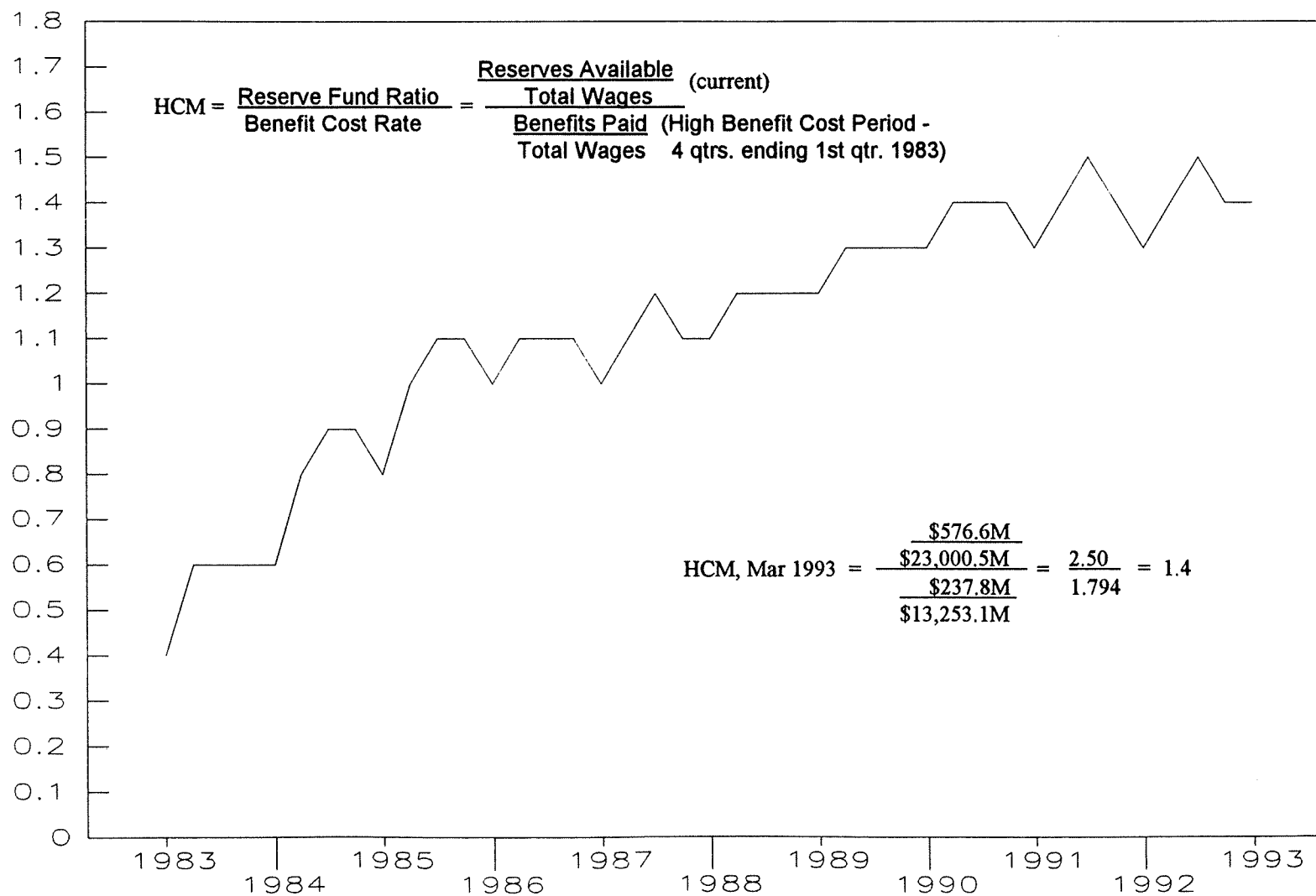
\$319.4M in interest was earned. The remaining growth was due to contributions exceeding benefits. In the last complete calendar year, 1992, the fund balance growth was entirely due to interest earned as benefits exceeded contributions. The reserve fund ratio statistic used in measuring fund adequacy has been above the desired 3.000 per cent for purposes of rate calculations since 1990. Therefore, contributions received have leveled off during recent years and most growth has been due to interest earned. The 1993 Kansas Legislature approved

**Table 3**  
**End of Year Fund Balance**  
**1983 - 1992**

<u>Year</u>	<u>Total Wages Insured Employment (millions)</u>	<u>Reserve Fund Balance (millions)</u>	<u>Reserve Fund Ratio</u>	<u>High Cost Multiple</u>
1983	\$ 13,751.1	\$ 152.5	1.11	0.6
1984	15,009.4	234.7	1.56	0.9
1985	15,710.7	295.7	1.88	1.1
1986	16,552.8	322.7	1.95	1.1
1987	17,386.8	355.0	2.04	1.1
1988	18,437.0	404.4	2.19	1.2
1989	19,421.5	461.7	2.38	1.3
1990	20,721.5	526.9	2.54	1.4
1991	21,575.7	560.3	2.60	1.4
1992	23,000.4	595.2	2.59	1.4

1-13

Graph 3  
High Cost Multiple  
Jan. 1983 - Mar. 1993, By Quarter



1-14



an amendment to the Employment Security Law which will, relative to the old provision, reduce the total amount of employer contributions, whether or not the fund balance remains at current levels. Table 4 shows the amount of benefits, contributions, interest earned, and the average interest rate from 1983 to 1993. The level of benefits to annual contributions and interest earned is shown in Graph 4.

The movement of the trust fund balance by month for CY 1991 and CY 1992, and the completed portion of CY 1993 is presented on the following page in Graph 5. The fund level tends to peak in the second and third calendar quarters when the majority of contributions are received. Contributions are based on the first \$8,000 of annual salary and are due on or before the 25th day following the close of the calendar quarter. With the average

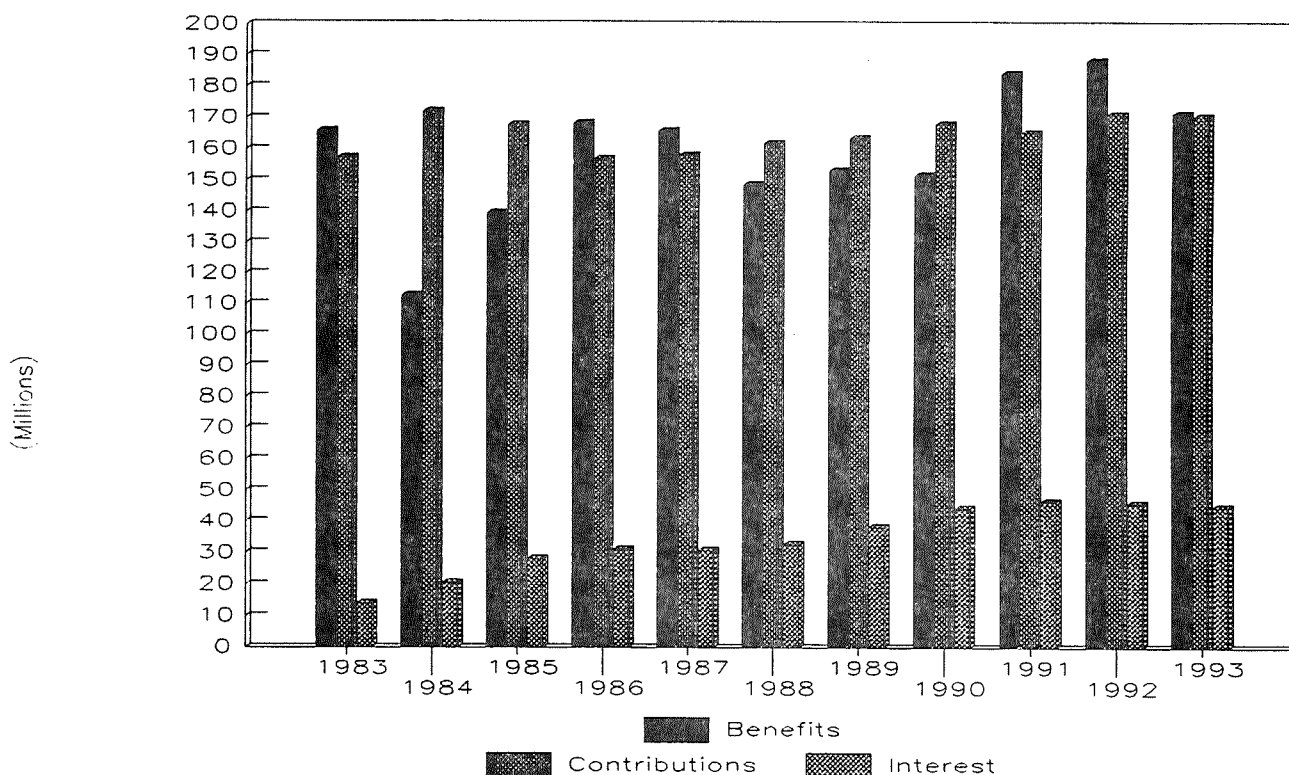
**Table 4**  
**Benefits, Contributions, and Interest**  
**CY 1983 - 1993**

Calendar Year	Reserve Fund Balance (Dec. 31)	Benefits Paid (millions)	Contributions Received (millions)	Interest Earned 1/	
				Amount (millions)	Per Cent
<b>TOTAL</b>	<b>N/A</b>	<b>\$1,758.1</b>	<b>\$1,814.6</b>	<b>\$378.5</b>	<b>9.05%</b>
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	595.2	188.7	171.4	46.1	7.97
1993(est.)	653.1	171.7	170.8	45.1	7.23

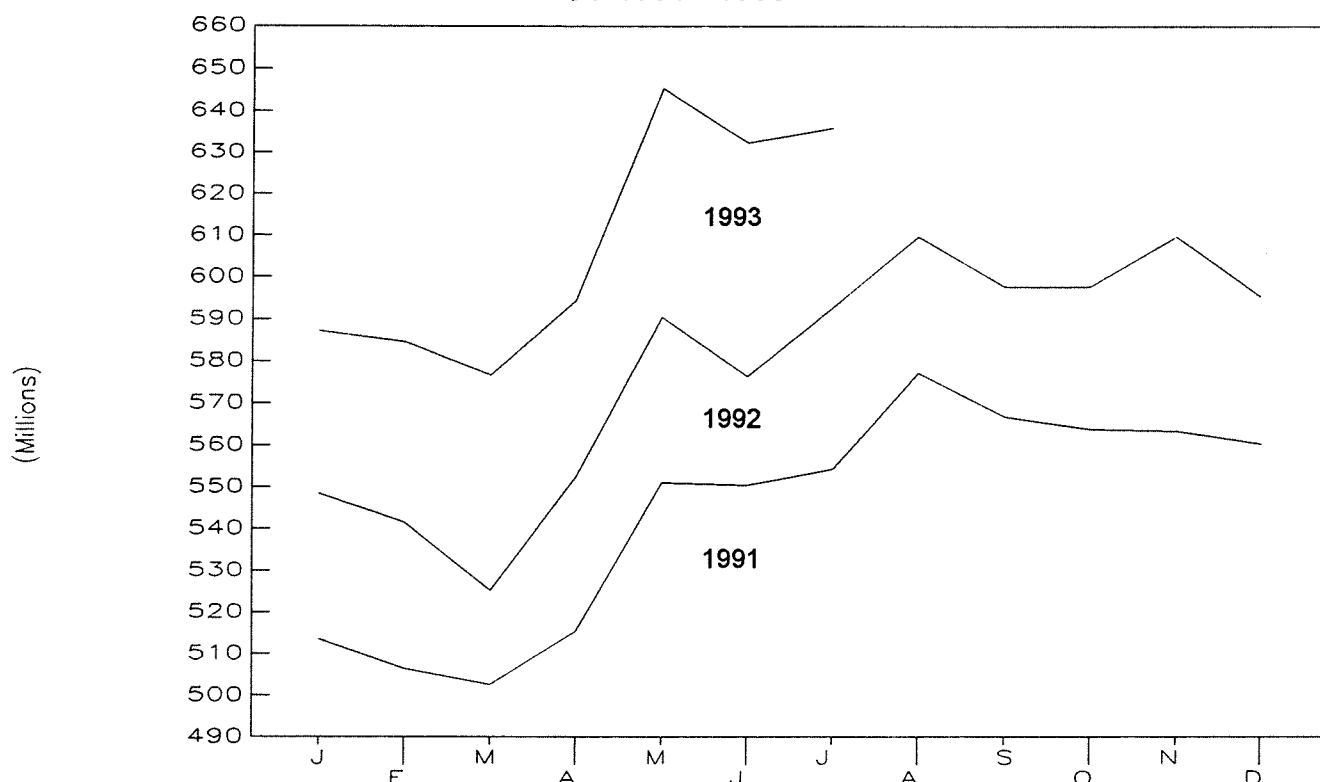
N/A Not Applicable.

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 4**  
**Benefits, Contributions, and Interest**  
**CY 1983 - 1993**



Graph 5  
Trust Fund Balance By Month  
CY 1991 - 1993



annual wage in Kansas approximately \$22,000, a majority of individuals have earned \$8,000 in the first two calendar quarters. Therefore, the greatest amount of contributions are charged during those periods. The end of calendar year balance is used as a measure for year to year movement of the fund level.

#### **Fund Balance Projections**

There are three principal components affecting the fund balance: benefits paid, contributions received, and interest earned. For fiscal years 1994 and 1995, the insured unemployment rates are projected to be 2.2 and 2.1 per cent, respectively. These rates reflect an estimated \$209.0M in benefits to be paid annually in fiscal year 1994 and 1995. These compare to \$179.4M in fiscal year 1993.

To finance benefits paid to claimants, taxes, generally referred to as contributions, are collected from employers. In fiscal year 1994 contributions are projected to be \$143.4M. Total payments made by reimbursing and rated governmental employers are not as easily projected as those from contributing employers, but generally are approximately \$3.0M per year. Additional income to the fund will come from interest earned on the fund balance, an

estimated \$45.0M to \$50.0M per year.

In fiscal year 1995, contributions are expected to be \$140.7M. With the fund balance of \$632.2M at the end of fiscal year 1993 the above figures would yield estimated balances at the end of fiscal year 1994 and fiscal year 1995 of \$605.6M - \$610.6M and \$576.3M - \$586.3M, respectively. The estimates are shown as a range due to two figures used for interest earned.

# SECTION III

## Kansas Finance Plan

### Introduction

The Kansas method of financing the Employment Security Fund is based on the reserve ratio system of experience rating. The reserve ratio system is the most common method of experience rating, and is used by 32 other states. This section includes a description of the three types of employer accounts for purposes of financing the trust fund. It also describes how an annual planned yield is determined and how employer tax rates are derived. The latter portion of this section presents information about taxable wages, the taxable wage base, and tax rates for contributing employer accounts.

### Employer Accounts

The principal source of income for the unemployment insurance trust fund is taxes paid by employers. In Kansas they are collected from three groups of employers generally classified as contributing, reimbursing, and rated governmental.

1. **Regular Contributing Accounts.** These are the "experience rated" accounts which have rates computed based on the position of the reserve ratio of the individual account relative to the reserve ratios of all contributing accounts. Employer accounts in this category make up approximately 95 per cent of all accounts under Kansas law.
2. **Reimbursing.** These employer accounts must be either private nonprofit organizations as defined by the Internal Revenue Code, Section 501(c)(3) or governmental units of this state or one of its political subdivisions. Employers participating under this provision are required to reimburse the state trust fund for benefit charges, dollar for dollar.
3. **Rated Governmental.** These employers must be government units. Government employers electing this option receive a rate based on an individual experience factor, which is benefits charged divided by two years of total wages. This factor, expressed as a decimal, is then adjusted by the benefit cost rate of all government employers.

Contributions from reimbursing and rated governmental employers offset identical or nearly identical amounts of benefit payments. Total contributions from all contributing employers vary depending on several factors, including the amount of total wages of Kansas employers

and the balance of the Kansas Employment Security Fund.

### Experience Rating

Experience rating is a method of assigning unemployment insurance tax rates to individual employers based on some measure of the level of unemployment experienced by employees. Kansas uses the reserve ratio method of experience rating. This system is essentially cost accounting with a bookkeeping account kept for each employer. Each employer record contains all contributions paid, all benefits charged, and the employer's payroll. A reserve ratio is calculated by subtracting total benefits charged from total contributions paid and dividing the difference, positive or negative, by the average annual payroll. The average annual payroll is the average taxable wages for the last three calendar years, or two if the employer was new and has paid covered wages during the two years prior to the rate computation date of June 30.

$$\text{Reserve Ratio} = \frac{\text{Contributions} - \text{Benefits}}{\text{Average Annual Taxable Payroll}}$$

### Contribution Rates

For the purpose of tax rate computation in Kansas, contributing employers can be basically classified as new employers and eligible employers. New, or ineligible employers, have had less than 24 consecutive months immediately preceding the annual June 30 computation date throughout which benefits could have been charged to the account. Tax rates of new employers are calculated as one per cent plus 1) the average rate for all employers or 2) the average for employers in the same industry division during the calendar year prior to the rate computation date, whichever is greater. In addition, a new employer rate cannot be less than two per cent. The following table shows tax rates for new employers for calendar year 1993.

When a firm has been subject to the law for the required

Table 5 New Employer Tax Rates CY 1993	
Industry	Tax Rate
Mining	4.10
Construction	5.05
Manufacturing	3.60
All other Employers	3.38

period of time, it is classified as eligible for a tax rate based on a reserve ratio of the individual employer account. If total benefits charged exceed total con-

tributions paid, such employer is defined as a negative balance employer. The tax rate of a negative balance employer is set by statute as 5.40 per cent plus a surcharge dependent upon the size of the negative reserve ratio. Table 6 gives the schedule of negative balance employer account rates.

If contributions exceed benefits charged, the employer is classified as positive eligible. For the purpose of assigning tax rates, positive eligible employers are divided into equal groups based on taxable wages and the reserve ratio of the individual employers. For calendar year 1990, the number of groups was 21. Starting with rate year 1991, the number of groups is 51. Table 7, on the following page, gives the contribution rates for 1993.

Rate groups are provided for in Schedule I - Eligible Employers, K.S.A. 44-710a(1)(D). This schedule is centered at an experience factor of 1.00. The contribution rate for each group is determined by multiplying the respective experience factor times the average percentage of required contributions on taxable wages of positive eligible employers. For rate year 1993, the average percentage was 2.159.

Employers may make a voluntary contribution to lower tax rates from one to five rate groups. Information is provided on the annual Experience Rating Notice which indicates the contribution amounts required at various rate reduction options.

### ***Planned Yield for Contributing Accounts***

A total amount of contributions, or planned yield for contributing employer accounts is estimated each year prior to rate calculations. Due to the offset nature of reimbursing and rated governmental accounts, the estimate does not include these accounts. The following steps describe: 1) the manner in which an annual planned yield is determined, and 2) how contribution rates for positive eligible accounts are derived.

- A reserve fund ratio is calculated by dividing the balance of the trust fund as of July 31 by the total wages of contributing employers for the preceding fiscal year.
- Using Schedule III, Fund Control Ratios to Total Wages, K.S.A. 44-710a(3)(A), a planned yield of the percentage of total wages is selected respective to the reserve fund ratio. Schedule III is centered to yield .9 per cent of total wages at a reserve fund ratio of 3.0 per cent.
- The planned yield on total wages is adjusted to taxable wages by using the ratio of total to taxable wages.

The following steps describe the manner in which an annual planned yield for positive eligible accounts is determined:

**Table 6**  
**Negative Balance Account Rates**

<u>Negative Reserve Ratio</u>	<u>Rate</u>	<u>Surcharge</u>	<u>Effective Rate</u>
Less than 2.0%	5.40%	0.10%	5.50%
2.0 but less than 4.0	5.40	0.20	5.60
4.0 but less than 6.0	5.40	0.30	5.70
6.0 but less than 8.0	5.40	0.40	5.80
8.0 but less than 10.0	5.40	0.50	5.90
10.0 but less than 12.0	5.40	0.60	6.00
12.0 but less than 14.0	5.40	0.70	6.10
14.0 but less than 16.0	5.40	0.80	6.20
16.0 but less than 18.0	5.40	0.90	6.30
18.0 and over	5.40	1.00	6.40

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**Table 7**  
**Positive Balance Account Rates**  
**CY 1993**

<b>Rate Group</b>	<b>Reserve Ratio (lower limit)</b>	<b>Experience Factor</b>	<b>Number of Employers</b>	<b>Contribution Rate</b>
1	.24559	.025%	4,221	.05
2	.21898	.04	2,390	.09
3	.20672	.08	2,009	.17
4	.19986	.12	1,656	.26
5	.19650	.16	1,059	.35
6	.19318	.20	1,312	.43
7	.18995	.24	1,658	.52
8	.18792	.28	940	.60
9	.18646	.32	688	.69
10	.18486	.36	749	.78
11	.18316	.40	815	.86
12	.18172	.44	659	.95
13	.18149	.48	109	1.04
14	.18132	.52	68	1.12
15	.18031	.56	460	1.21
16	.17922	.60	505	1.30
17	.17801	.64	530	1.38
18	.17754	.68	203	1.47
19	.17650	.72	446	1.55
20	.17517	.76	587	1.64
21	.17461	.80	226	1.73
22	.17316	.84	589	1.81
23	.17240	.88	298	1.90
24	.17048	.92	714	1.99
25	.16898	.96	545	2.07
26	.16789	1.00	336	2.16
27	.16651	1.04	471	2.25
28	.16527	1.08	385	2.33
29	.16343	1.12	578	2.42
30	.16210	1.16	433	2.50
31	.16011	1.20	561	2.59
32	.15828	1.24	561	2.68
33	.15700	1.28	365	2.76
34	.15446	1.32	671	2.85
35	.15253	1.36	471	2.94
36	.14969	1.40	684	3.02
37	.14714	1.44	595	3.11
38	.14408	1.48	681	3.20
39	.14051	1.52	847	3.28
40	.13651	1.56	919	3.37
41	.13187	1.60	975	3.45
42	.12740	1.64	842	3.54
43	.12073	1.68	1,109	3.63
44	.11648	1.72	544	3.71
45	.10715	1.76	999	3.80
46	.09943	1.80	1,088	3.89
47	.09113	1.84	803	3.97
48	.08065	1.88	912	4.06
49	.06333	1.92	1,072	4.15
50	.03826	1.96	962	4.23
51	.00000	2.00	2,089	4.32

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- Estimates of contributions from ineligible accounts are deducted from the total planned yield.
- Estimates of contributions from negative balance accounts are deducted from the total planned yield.

Contribution rates for ineligible and negative balance accounts are for the most part "fixed" and set by statute. The remainder of the planned yield establishes the basis for derivation of the contribution rates for positive eligible accounts.

- An average contribution rate for positive eligible accounts is calculated by dividing the remaining amount of planned yield by the taxable wages of positive eligible accounts.
- The average contribution rate is adjusted by the average estimated yield of each of the 51 wage groups, or array of taxable accounts. These adjusted rates are the annual contribution rates for positive eligible accounts.

**Table 9**  
**Taxable Wage Base**  
**Kansas 1940 - Present**

<u>Time Period</u>	<u>Taxable Wage Base</u>	<u>Average Annual Wage, 1st Year</u>	<u>Wage Base as Per Cent of Average Annual Wages</u>
1940 - 1971	\$3,000	\$1,201	249.8%
1972 - 1977	4,200	6,949	60.4
1978 - 1982	6,000	10,986	54.6
1983	7,000	15,750	44.4
1984 - 1992	8,000	16,547	48.3
1992 a/	8,000	21,701	36.9

a/ 1992 data are provided for purposes of comparison.

Table 8 illustrates the figures used in calculating the planned yield for the CY 1993 rate year.

#### ***Taxable Wages and Tax Rates***

Since 1984, the taxable wage base in Kansas for the unemployment insurance program has been the first \$8,000 of wages of covered work for an individual. The federal tax base is \$7,000. By public law, states must have a tax base at least equal to the federal base. Table 9 summarizes the changes in the taxable wage base from 1940. The average annual wage for covered employees is shown on Table 9 to provide a relative measure for the size of the wage base.

**Table 8**  
**Planned Yield**  
**Contributing Employer Accounts**  
**CY 1993 Rate Year**

A. Reserve fund balance, July 31, 1992 .....	\$623,380,400
B. Payrolls, fiscal year ended June 30, 1992	
1. Total .....	\$17,643,668,709
2. Taxable .....	\$6,616,007,199
C. Ratio of fund balance to total payrolls .....	3.533%
D. Required total yield for 1993	
1. Ratio of total wages .....	0.90%
2. Ratio of total wages to taxable wages .....	2.67
3. Average rate for taxable wages (all accounts) .....	2.40%
4. Total planned yield .....	\$158,800,000
E. Required yield for positive eligible accounts	
1. Total planned yield .....	\$158,800,000
2. Estimated yield - ineligible accounts .....	\$10,489,032
3. Estimated yield - negative balance accounts .....	\$22,129,970
4. Planned yield - positive eligible accounts .....	\$126,180,998
F. Rate adjustment, positive eligible accounts	
1. Taxable payrolls, active accounts .....	\$5,848,727,911
2. Required contributions .....	\$126,180,998
3. Average Rate Required .....	2.157%
4. Average estimate yield (array) .....	0.999% a/
5. Adjustment factor .....	2.159%

a/ This is a calculated estimate of the average yield corresponding to wage groups.

Total and taxable wages from 1983 to 1992 are listed on Table 10 for all covered employers and the portion attributable to employers which have contributing accounts. Since 1984 there has been a decline in the percentage of taxable wages to total wages.

The range of tax rates for contributing employer accounts from 1983 to 1993 is shown on Table 11. The minimum rate applies to all contributing accounts. The maximum rate of 6.40 applies only to contributing accounts with a negative balance. Tax rates for contributing employers during the last 11 years ranged from a low minimum rate of 0.05 per cent to a high maximum rate of 6.40 per cent as shown in Table 11. The lowest overall rates of this period were during the last four years. Rates rose significantly in 1982 and peaked during 1983.

**Table 10**  
**Total and Taxable Wages**  
**Total and Contributing Employers**  
**CY 1983 - 1992**  
**(millions)**

Calendar Year	All Employers			Contributing Employers		
	Total	Taxable		Total	Taxable	
		Amount	Per Cent of Total		Amount	Per Cent of Total
1983	\$ 13,751.1	\$ 7,295.9	53.1	\$ 11,232.9	\$ 4,782.5	42.6
1984	15,009.4	7,396.5	49.3	12,336.4	5,601.8	45.4
1985	15,710.7	7,261.5	46.2	12,838.5	5,616.6	43.7
1986	16,552.8	7,484.3	45.2	13,475.5	5,719.7	42.4
1987	17,386.8	7,712.5	44.4	14,178.5	5,876.3	41.4
1988	18,437.0	7,965.2	43.2	15,049.3	6,023.3	40.0
1989	19,421.5	8,294.2	42.7	15,706.1	6,220.3	39.6
1990	20,721.5	8,696.9	42.0	16,726.9	6,478.6	38.7
1991	21,575.7	8,872.2	41.1	17,319.6	6,526.4	37.7
1992	23,000.4	9,182.9	39.9	18,493.5	6,708.1	36.3

**Table 11**  
**Range of Tax Rates**  
**for Contributing Employers**  
**CY 1983 - 1993**

Calendar Year	Minimum Rate	Maximum Rate		Average Rate	
		All	Positive Eligible	All	Positive Eligible 1/
1983 a/	0.07	5.40	5.40	2.94	2.786
1984	0.06	6.40	5.13	2.87	2.567
1985	0.06	6.40	4.80	2.74	2.398
1986	0.06	6.40	4.40	2.54	2.204
1987	0.06	6.40	4.42	2.50	2.209
1988	0.05	6.40	4.40	2.48	2.195
1989	0.06	6.40	4.50	2.51	2.248
1990	0.06	6.40	4.41	2.43	2.201
1991	0.05	6.40	4.24	2.36	2.116
1992	0.05	6.40	4.32	2.39	2.158
1993	0.05	6.40	4.32	2.40	2.159

1/ The average rate for positive eligible accounts is shown at the three-digit level used in the actual computation of rates.

a/ Does not include temporary 20 per cent surcharge. With surcharge; 0.08%, 6.48%, 6.48%, 3.53%, and 3.343%, respectively.

## SECTION IV

### Unemployment Insurance Benefits

#### Weekly Benefit Amount (WBA)

Payments made to claimants entitled to unemployment insurance are generally known as benefits and are payable on a weekly basis. A claimant is paid a weekly benefit amount computed as 4.25 per cent of the quarter of the base period with the highest amount of insured earnings. The determined weekly benefit amount has maximum and minimum limits prescribed by law. The maximum weekly benefit amount is set each fiscal year as 60 per cent of the statewide average weekly wage for the immediately preceding calendar year. The minimum is 25 per cent of the maximum. Table 12 shows the minimum, maximum, and average benefit amounts for state fiscal years 1983 to 1994.

A temporary freeze was placed on the maximum in FY 1983 and FY 1984 to allow the fund balance to recover following the 1982-1983 recession. From 1983 to 1994 the minimum was up 55 per cent and the maximum, 53 per cent. The average was up 39 per cent from 1983 to 1993. The average has increased at a slower rate than the maximum, in part due to a decrease in the percentage of claimants eligible for the maximum benefit. In 1980, more

than 50 per cent of all claimants were eligible for the maximum payment compared to 37 per cent in 1993.

#### Benefit Entitlement and Eligibility

All determinations of entitlement and eligibility are based on individual employment history. To be eligible for benefits, an individual must have earned wages in two or more quarters in a base period and have had total wages in the base period of at least 30 times the determined WBA. The base period is the first four of the last five completed calendar quarters prior to the filing of a new claim. A claimant must also satisfy a requirement of one waiting week of unemployment prior to receiving a benefit payment. A claimant may earn 25 per cent of the determined weekly benefit amount before a deduction is made for earnings from employment.

The total amount of wages in the base period determines the potential duration or number of weeks of entitlement. This potential duration is calculated as the lesser of 26 times the WBA, or one-third of the wages for insured work paid during the base period. A majority of claimants return to work, thus becoming ineligible, before exhaust-

**Table 12**  
**Weekly Benefit Amount**  
**Minimum, Maximum, and Average**  
**SFY 1983 - 1994**

<u>Fiscal</u> <u>Year</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
1983	\$40.00	\$163.00	\$129.64
1984	40.00	163.00 a/	126.41
1985	43.00	175.00 a/	131.87
1986	47.00	190.00 a/	142.78
1987	49.00	197.00	151.75
1988	51.00	204.00	159.25
1989	52.00	210.00	161.77
1990	54.00	216.00	166.27
1991	55.00	222.00	170.27
1992	57.00	231.00	172.74
1993	59.00	239.00	180.01
1994	62.00	250.00	N/A

N/A Not Available.

a/ A temporary freeze on the maximum weekly benefit amount was in effect in 1984, 1985, and 1986. The 1986 calculation was at the maximum allowable amount.



**Table 13**  
**Average Duration (weeks)**  
**Potential and Actual**  
**CY 1983 - 1992**

Calendar Year	Potential Average Duration	Actual Average Duration	
		All Claimants	Exhaustees
1983	22.5	16.7	22.0
1984	22.5	12.8	21.3
1985	22.6	12.7	21.1
1986	22.7	13.8	21.5
1987	22.6	14.6	22.0
1988	22.6	13.2	21.5
1989	22.8	13.5	21.4
1990	22.7	13.6	21.6
1991	22.8	14.5	21.7
1992	22.7	15.2	21.6

ing benefit entitlement. Many claimants are laid off for only a short period of time and receive only a week or two of benefits. Some are off work for only one week and satisfy the waiting period requirement but never receive benefits. As a result of these short term layoffs, a gap exists between the potential and actual duration as shown in Table 13. Included in Table 13 is the average number of weeks of duration for claimants who exhausted benefit payments. The difference between the potential and actual duration tends to lessen in periods of recessions.

### Annual Trend in Claims and Benefit Payments

During the last 10 years, an average of nearly 23,000 continued claims per week have been filed by Kansas workers. Nearly \$1.6B in unemployment insurance benefits have been paid. The total amount of annual benefits is dependent on several factors. The number of individuals claiming unemployment insurance is the most significant. Other major factors include the average duration and the average weekly benefit amount. Table 14 presents principal claims and benefit activities for 1983 through 1992.

A measure which is used to gauge the extent to which unemployment benefits replace regular wages is a comparison of the average WBA to the average weekly wage of all covered workers. This comparison is shown as a percentage in Table 15. During the last 10 years, the lowest and highest replacement percentages were 39.9 percent in 1984 and 44.5 percent in 1987. In 1984 the largest deviation occurred; a freeze on the maximum weekly benefit amount was a contributing factor.

**Table 14**  
**Selected Statistics of Insured Workers**  
**CY 1983 - 1992**

Calendar Year	Initial Claims	Continued Claims	Total Benefits	Average Insured Unemployment Rate 1/	Average Duration (weeks)	Average Weekly Benefit Amount
1983	196,154	1,433,483	\$165,894,893	3.1	16.7	\$ 128.65
1984	154,662	1,011,577	112,824,942	2.1	12.8	127.02
1985	176,520	1,182,123	139,744,391	2.4	12.7	136.45
1986	184,017	1,279,267	168,446,515	2.6	13.8	147.42
1987	161,211	1,170,859	166,061,153	2.4	14.6	156.26
1988	149,245	1,044,004	148,872,693	2.0	13.2	159.24
1989	167,882	1,050,640	153,437,954	2.0	13.5	164.12
1990	162,667	1,019,353	151,959,998	1.8	13.6	167.44
1991	169,861	1,217,312	184,522,340	2.2	14.5	171.98
1992	149,902	1,198,787	188,709,911	2.1	15.2	175.11

1/ The insured unemployment rate is the percentage of total weeks claimed (waiting weeks plus compensable weeks claimed) to the covered workforce.

**Table 15**  
**Comparison of the Average Weekly Benefit Amount**  
**to the Average Weekly Wage**  
**CY 1983 - 1992**

<u>Calendar Year</u>	<u>Average Weekly Benefit Amount (WBA)</u>	<u>Average Weekly Wage 1/</u>	<u>Per Cent of Average WBA to Average Weekly Wage</u>	<u>Annual Change of Per Cent</u>
1983	\$ 128.65	\$ 302.89	42.5	-0.8
1984	127.02	318.22	39.9	-2.6
1985	136.45	329.37	41.4	1.5
1986	147.42	341.45	43.2	1.8
1987	156.26	351.27	44.5	1.3
1988	159.24	361.57	44.0	-0.5
1989	164.12	370.75	44.3	0.3
1990	167.44	385.15	43.5	-0.8
1991	171.98	398.85	43.1	-0.4
1992	175.11	417.32	42.0	-1.1

1/ The average weekly wage is computed by dividing the gross wages reported as paid for insured work during the calendar year prior to the calculation date by the average monthly employment and dividing by 52 weeks.

### ***Charged and Noncharged Benefits***

Unemployment insurance benefits paid to claimants are generally chargeable to the account of former employers. These charges are in proportion to the wages paid to the claimant by base period employers. Under certain circumstances the employer reserve account is not charged. Benefits which are not charged to specific employer accounts must be financed by all employers on a socialized basis.

During FY 1992 \$150,384,190 of the total benefit payments of \$178,064,614 were charged to employer accounts. This represents 84.5 per cent of all payments.

## SECTION V

### Special Unemployment Compensation

#### Shared Work Unemployment Compensation

The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) directed the U.S. Department of Labor to develop model legislation to be used by states to establish "worksharing" programs. The 1988 session of the Kansas legislature enacted the Shared Work Unemployment Compensation Program, K.S.A. Sec. 44-757. In accordance, shared work plans were first allowed in Kansas as of April 1, 1989. The effect of a worksharing program is to allow an employer to lay off workers for a portion of a week. These workers are entitled to unemployment benefits for the days they are laid off.

A Shared Work plan expires on the last day of the 12th full calendar month after the effective date of the plan. Many of the approved plans in the years following 1989 are renewals of prior year plans. In the last three years, firms were allowed to establish "affected units" within the same plant. An affected unit may be a specified department, shift, or other work group.

Since April 1, 1989, there have been 426 Shared Work plans approved in Kansas. The affected employees have been paid a total of \$4,275,449. Comparisons of shared work activities by year are shown in Tables 16, 17, and 18.

**Table 16**  
**Shared Work Plans**  
**CY 1989 - 1993**

<u>Calendar Year</u>	<u>Approved Plans</u>	<u>Individuals Affected</u>
<u>Total</u>	<u>426</u>	<u>19,485</u>
1989	43	1,481
1990	55	4,880
1991	108	5,785
1992	163	5,063
1993 <u>a/</u>	57	2,276

a/ Data as of July 31, 1993.

**Table 17**  
**Shared Work Program**  
**Claims and Payment Activities**  
**CY 1989 - 1993**

<u>Calendar Year</u>	<u>Initial Claims</u>	<u>Weeks Claimed</u>	<u>First Payments</u>	<u>Amount of Payments</u>
<u>Total</u>	<u>21,530</u>	<u>104,223</u>	<u>9,278</u>	<u>\$ 4,275,449</u>
1989 <u>a/</u>	578	3,546	434	184,993
1990	4,503	14,958	1,219	594,259
1991	10,123	38,574	3,662	1,485,970
1992	4,395	29,779	2,726	1,228,521
1993 <u>b/</u>	1,931	17,366	1,237	781,706

a/ Data is for August through December 1989.

b/ Data is as of July 31, 1993.

**Table 18**  
**Shared Work Plans**  
**By Major Industry Division**  
**CY 1989 - 1993**

<u>Industry Division</u>	<u>Total</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
<u>Total</u>	<u>426</u>	<u>43</u>	<u>55</u>	<u>108</u>	<u>163</u>	<u>57</u>
Agriculture, Forestry, Fishing	14	2	1	5	3	3
Mining	4	0	0	0	2	2
Construction	26	4	4	6	7	5
Manufacturing	269	21	35	62	116	35
Transportation, Communication, Electric, Gas, & Sanitary Service	5	0	0	4	1	0
Trade	42	12	3	14	9	4
Finance, Insurance, & Real Estate	18	0	6	6	6	0
Services	48	4	6	11	19	8

#### ***Emergency Unemployment Compensation***

Emergency Unemployment Compensation (EUC) is a temporary extended benefit program fully funded by the federal government. The guidelines for eligibility are the same as those of the permanent Federal-State Extended Unemployment Compensation Act of 1970, commonly referred to as the Extended Benefit (EB) program. The EUC program became effective November 17, 1991. Currently, the program is scheduled to continue through January 15, 1994 although no new claims will be taken for any week which begins after October 3, 1993. At the time of the publication of this report, Congress is considering a

six-month extension of the program. From the inception of the EUC program through the end of August 1993, a total of \$130.8M was paid to approximately 45,000 EUC claimants under the KUI, UCFE, and UCX programs.

Individuals who have exhausted regular benefits are eligible for a maximum of 10 - 20 weeks depending on which phase the program was in when the new claim was filed. Under current provisions, an exhaustee has the option to choose either EUC benefits or begin a new claims series under the regular program, if eligible. A breakdown of unemployment insurance activity for the EUC program is shown in Table 19.

**Table 19**  
**Emergency Unemployment Compensation**  
**Claims and Payment Activities**  
**CY 1991 - 1993**

<u>Calendar Year</u>	<u>Initial Claims</u>	<u>Weeks Claimed</u>	<u>First Payments</u>	<u>Amount of Payments</u>
TOTAL	65,324	682,327	45,426	\$ 130,781,374
1991 <u>a/</u>	7,972	27,321	5,593	3,923,827
1992	34,227	407,850	26,427	68,655,594
1993 <u>b/</u>	23,125	247,156	13,406	58,201,953

a/ Began November 15th.

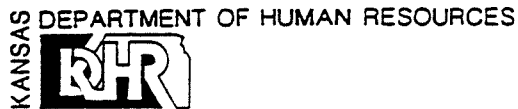
b/ Claims data, as of June 31, 1993; Payment, as of August 31, 1993.

CURRENT FINANCIAL POSITION OF  
KANSAS UNEMPLOYMENT INSURANCE  
BENEFIT TRUST FUND

... PREPARED FOR  
HOUSE LABOR AND INDUSTRY COMMITTEE  
MEETING OF JANUARY 12, 1994

JOE DICK, SECRETARY

KANSAS DEPARTMENT OF HUMAN RESOURCES  
DIVISION OF STAFF SERVICES  
LABOR MARKET INFORMATION SERVICES  
JANUARY 1994



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*House Labor and Industry*  
*Attachment 2*  
*1-12-94*

EXECUTIVE SUMMARY  
KEY FACTS  
Unemployment Insurance and the Kansas Economy  
State Fiscal Year 1993 a/

Total Unemployment Rate

<u>Area</u>	<u>State Fiscal Years</u>		<u>November</u>
	<u>1993</u>	<u>1992</u>	<u>1993</u>
United States . . . . .	7.2%	7.1%	6.4%
Kansas . . . . .	4.6%	4.2%	4.3%
Kansas City MSA . . . . .	4.5%	4.3%	4.1%
Topeka MSA . . . . .	4.6%	4.4%	4.0%
Wichita MSA . . . . .	5.0%	4.3%	5.4%

Benefits to Claimants

- 62,530 persons received 910,465 weekly payments during CY 1993.
- Weekly UI benefits ranged from \$59.00 to \$239.00 in SFY 1993. Beginning in SFY 1994, the minimum payment is \$62.00 and the maximum payment is \$250.00. Benefit payments are based on a claimant's prior earnings in insured work.
- A total of \$167.7M was paid in UI benefits in CY 1993.
- The average time a claimant drew benefits was 14.6 weeks.

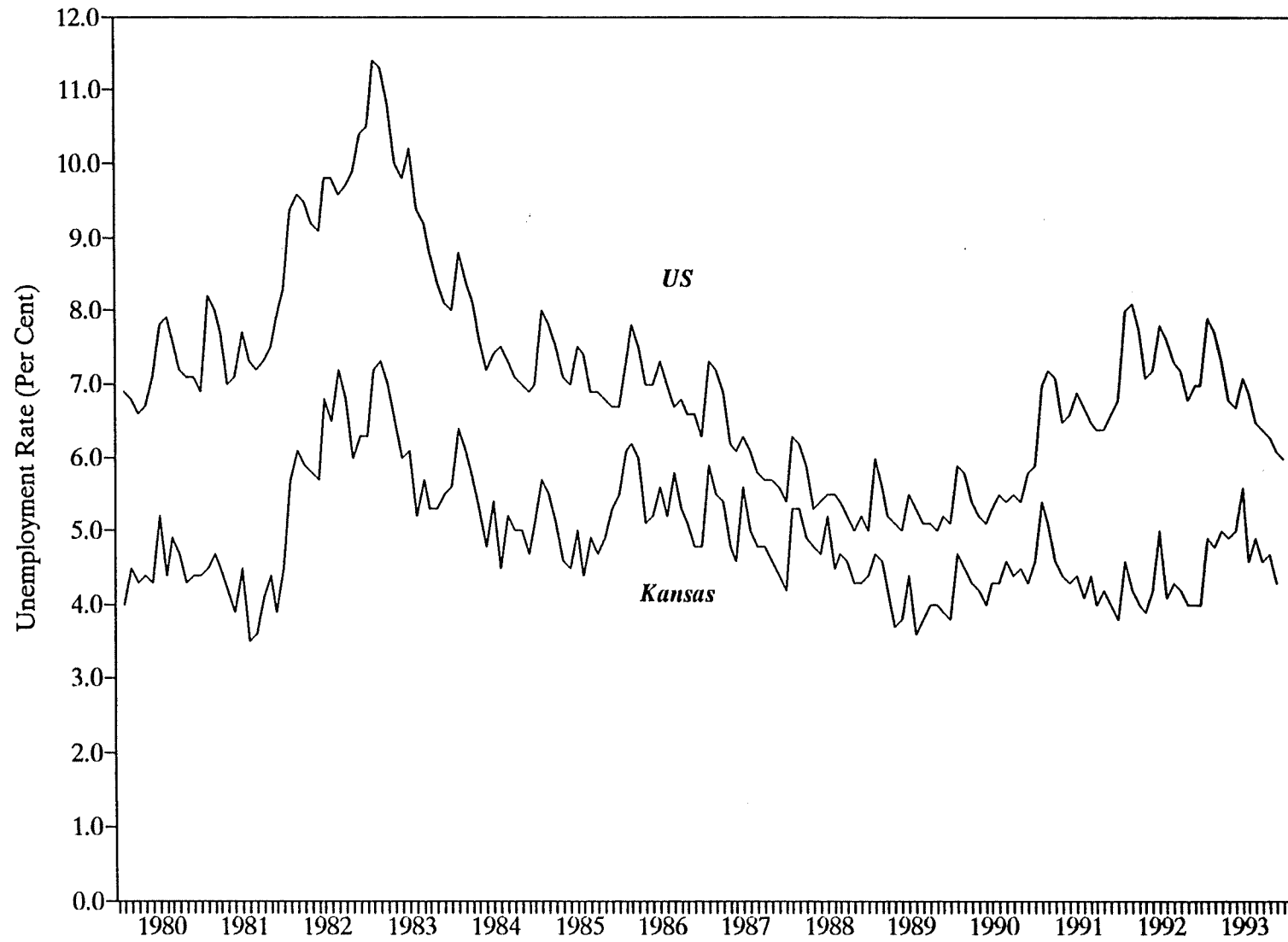
Employer Contributions

- 59,620 Kansas employers were covered under the Kansas Employment Security Law at the close of SFY 1993.
- A liable employer must pay for UI taxes on the first \$8,000 in wages for each employee. The average UI tax in calendar year 1992 was 2.46%, or approximately \$197.00, per employee. The highest employer UI tax was 6.40 and the lowest was .05%.
- In SFY 1993, Kansas employers paid \$171.1M 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 7.97% in calendar year 1992.

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a/ All data are for Fiscal Year 1993 except as noted.

Graph 1  
US and Kansas Unemployment Rates  
1980--1993





**Table 1**  
**Kansas Labor Market Summary**  
**1983 - 1993 Actual; 1994 - 1995 Projected**  
**July - June State Fiscal Years**

Period	SFY83	SFY84	SFY85	SFY86	SFY87	SFY88	SFY89	SFY90	SFY91	SFY92	SFY93	SFY94	SFY95
Civilian Labor Force--Place of Residence Data													
Civilian Labor Force	1,195,722	1,185,953	1,224,847	1,229,168	1,251,024	1,280,269	1,282,127	1,292,752	1,295,857	1,313,949	1,335,882	1,352,000	1,368,000
Employment	1,116,901	1,120,377	1,163,734	1,163,772	1,185,581	1,218,168	1,226,425	1,239,887	1,236,434	1,258,727	1,274,772	1,290,000	1,307,000
Unemployment	78,821	65,576	61,113	65,396	65,443	62,101	55,702	52,865	59,423	55,222	61,110	62,000	61,000
Unemployment Rate	6.6	5.5	5.0	5.3	5.2	4.9	4.3	4.1	4.6	4.2	4.6	4.6	4.5
Nonfarm Wage and Salary Employment--Place of Work Data (in thousands)													
All Industries	911.1	942.8	967.2	975.0	992.0	1,021.1	1,051.1	1,077.3	1,089.8	1,107.1	1,125.2	1,144.0	1,166.0
Goods Producing Industries	217.4	231.4	236.8	232.9	230.9	234.1	233.5	236.1	236.1	236.6	233.9	233.0	235.0
Mining	17.4	17.6	17.5	15.0	11.0	11.2	9.7	9.6	10.2	9.5	8.6	8.0	8.0
Construction	39.1	41.6	43.2	42.9	45.0	43.7	40.5	41.0	41.2	43.7	45.0	47.0	48.0
Manufacturing	160.9	172.2	176.1	175.0	174.9	179.2	183.3	185.5	184.7	183.4	180.3	178.0	179.0
Services Producing Industries	693.7	711.4	730.4	742.1	761.1	787.0	817.6	841.2	853.7	870.5	891.3	911.0	931.0
Transportation & Public Utilities	61.7	63.1	64.4	63.1	62.3	63.5	65.2	66.9	65.5	65.5	65.0	65.0	65.0
Wholesale and Retail Trade	226.6	233.8	242.8	245.0	249.6	255.7	263.7	267.5	268.4	271.0	275.5	280.0	284.0
Finance, Insurance & Real Estate	49.3	50.7	52.1	53.6	55.7	57.5	57.9	58.1	58.4	57.8	58.0	58.0	58.0
Services	173.1	180.3	183.8	189.6	197.5	208.2	223.1	237.5	245.0	254.3	262.8	272.0	282.0
Government	183.0	183.5	187.3	190.8	196.0	202.1	207.7	211.2	216.4	221.9	230.0	236.0	242.0
Other Categories													
Farm Employment	62.2	59.9	64.0	64.0	60.3	57.5	57.0	56.7	56.0	52.6	54.1	53.0	52.0

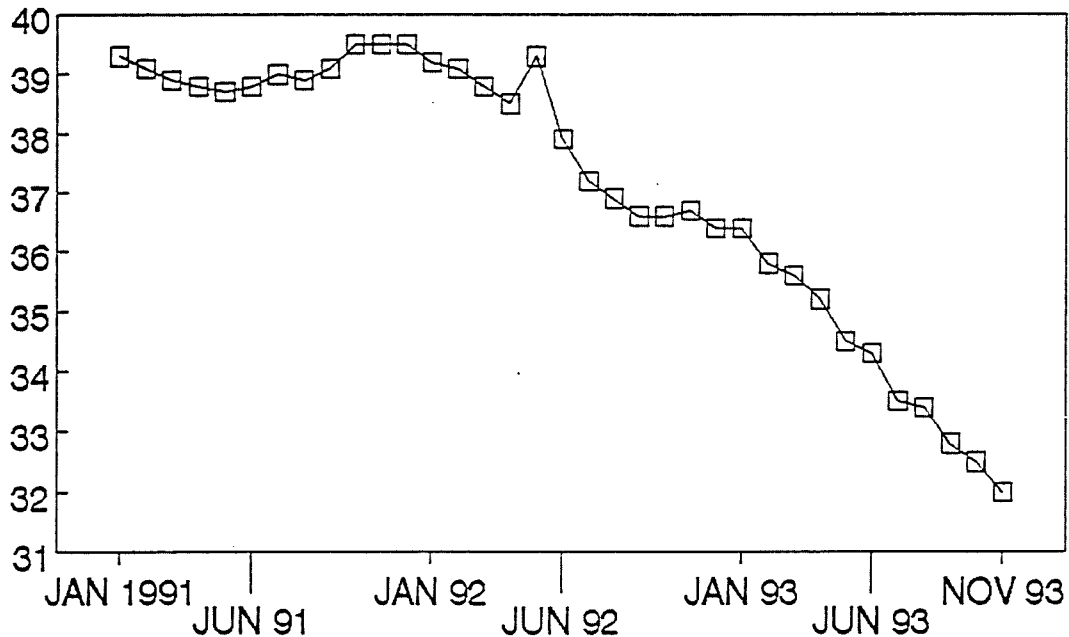
10/14/93

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

## AIRCRAFT EMPLOYMENT

From January 1991 until November 1993, aircraft employment in Kansas has decreased by 7,300. Most of the decline has occurred since mid-1992, when significant numbers of workers began to be laid off. The losses have had the greatest impact in the Wichita area where the aircraft industry is centered. Initial claims for unemployment insurance from individuals formerly employed in aircraft have averaged nearly 100 per week and continued claims 2,000.

Graph 2  
WICHITA TRANSPORTATION EMPLOYMENT  
JAN. 1991 - NOV. 1993



**Table 2**  
**Wichita MSA Transportation Equipment Employment**  
**and Total Unemployment Rate By Month**  
**January 1991 - November 1993**

<u>Wichita</u>			<u>Wichita</u>		
<u>Month</u>	<u>Employment</u>	<u>Total Unemployment Rate</u>	<u>Month</u>	<u>Employment</u>	<u>Total Unemployment Rate</u>
Jan '91	39,300	5.0	July '92	37,200	4.4
February	39,100	4.7	August	36,900	4.9
March	38,900	4.4	September	36,600	4.6
April	38,800	4.3	October	36,600	4.4
May	38,700	4.4	November	36,700	4.2
June	38,800	4.5	December	36,400	4.2
July	39,000	4.7	Jan '93	36,400	5.1
August	38,900	4.7	February	35,800	5.1
September	39,100	4.1	March	35,600	5.3
October	39,500	4.3	April	35,200	5.2
November	39,500	3.8	May	34,500	5.8
December	39,500	3.7	June	34,300	6.7
Jan '92	39,200	4.3	July	33,500	5.5
February	39,100	4.0	August	33,400	6.0
March	38,800	4.0	September	34,200	5.8
April	38,500	4.1	October	33,800	5.9
May	39,300	4.4	November	33,300	5.4
June	37,900	5.6			

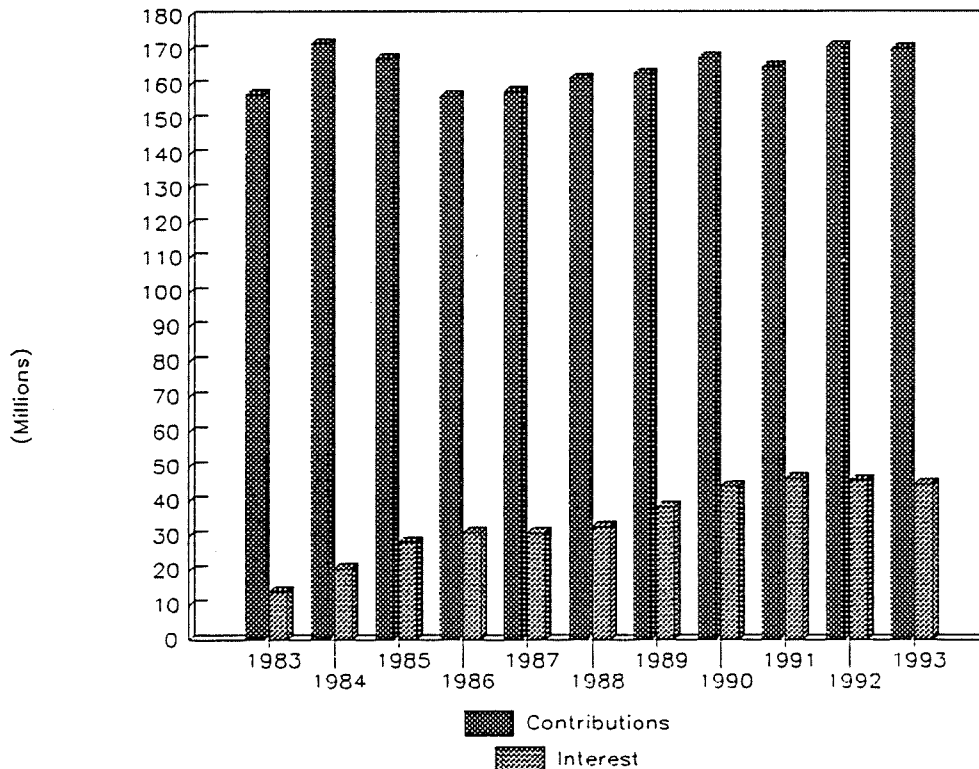
**Table 3**  
**Benefits, Contributions, and Interest**  
**CY 1983 - 1993**

<b>Calendar Year</b>	<b>Reserve Fund</b>	<b>Benefits</b>	<b>Contributions</b>	<b>Interest Earned</b>	
	<b>Balance (Dec. 31)</b>	<b>Paid (millions)</b>	<b>Received (millions)</b>	<b>Amount (millions)</b>	<b>Per Cent</b>
<b><u>TOTAL</u></b>	<b><u>N/A</u></b>	<b><u>\$1,758.1</u></b>	<b><u>\$1,814.6</u></b>	<b><u>\$378.5</u></b>	<b><u>9.05%</u></b>
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	595.2	188.7	171.4	46.1	7.97
1993	646.6	167.7	170.8 a/	45.1 a/	7.23 a/

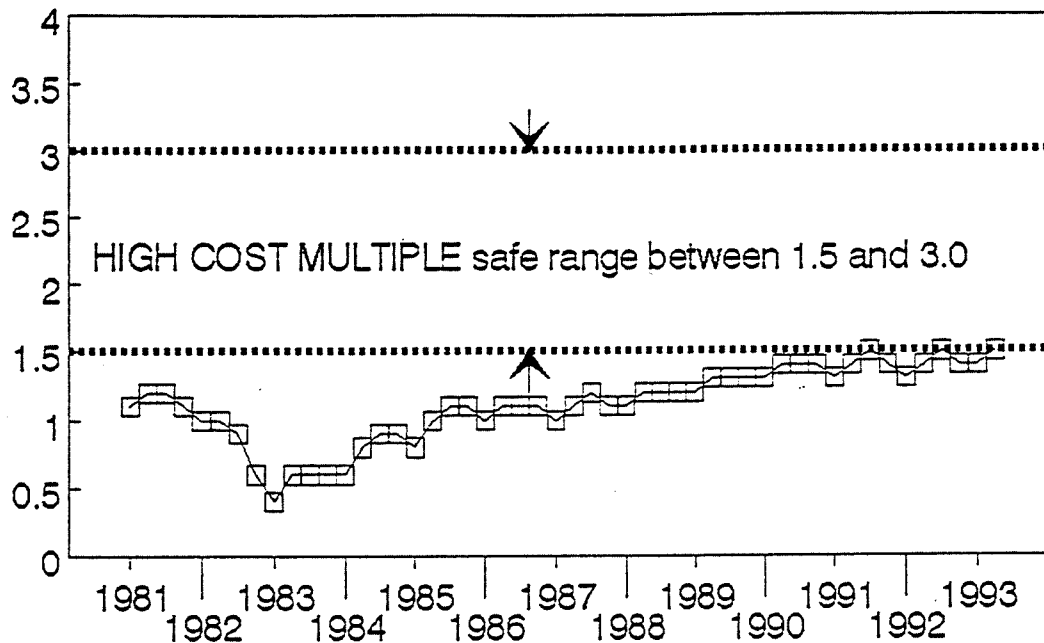
N/A Not Applicable

a/ Estimate

**Graph 3**  
**Contributions and Interest**  
**CY 1983 - 1993**



Graph 4  
KANSAS HIGH COST MULTIPLE  
1981 - 2ND QUARTER 1993



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

The Kansas HCM of 1.5 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 1.5 years of 18 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  
3rd Quarter, CY1993

<u>State</u>	<u>High Cost Multiple</u>	<u>Rank</u>	<u>TF Balance Sept. '93 (000)</u>
United States	.57 <sup>a/</sup>	N/A	\$27,516,556
Arkansas	.33	38	132,843
Colorado	.98	20	387,296
Iowa	1.25	10	641,056
<b>Kansas</b>	<b>1.59</b>	<b>5</b>	<b>658,889</b>
Missouri	.09	46	76,841
Nebraska	1.02	18	169,520
Oklahoma	1.60	4	438,131

N/A Not Applicable.

<sup>a/</sup> U. S. Average.

Table 5  
Current Reserve Analysis  
Current Reserves Compared to Payments  
3rd Quarter 1993 a/

<u>State</u>	<u>Months of Benefits in TF</u>	<u>State Ranking</u>
U. S. Average	14.9	N/A
Arkansas	9.4	36
Colorado	27.6	25
Iowa	41.7	14
<b>Kansas</b>	<b>44.9</b>	<b>11</b>
Missouri	2.7	46
Nebraska	41.0	16
Oklahoma	41.5	15

N/A Not Applicable.

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  
3rd Quarter, CY1993

September 1993

Connecticut  
District of Columbia  
Massachusetts  
Missouri  
New York

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Source: UI Data Summary, U. S. Department of Labor, December 1993.

Table 7  
Trust Fund Balance  
Adequacy By State  
3rd Qtr, CY 1993

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	\$ 576,987	17	2.04 %	20	0.94	21
Alaska	227,270	36	4.47	4	1.03	17
Arizona	375,769	26	1.36	32	0.55	34
Arkansas	132,843	40	0.89	39	0.33	38
California	2,699,523	1	0.96	37	0.41	35
Colorado	387,296	25	1.24	34	0.98	20
Connecticut	650	49	0.00	49	0.00	49
Delaware	227,802	35	3.18	10	1.18	14
Dist. of Col.	8,468	48	0.08	48	0.04	48
Florida	1,562,133	4	1.58	29	0.86	23
Georgia	1,087,286	7	1.88	23	0.88	22
Hawaii	322,898	29	3.18	9	1.20	12
Idaho	240,729	32	3.64	7	1.15	15
Illinois	935,626	10	0.81	40	0.30	40
Indiana	1,020,263	9	2.12	19	1.19	13
Iowa	641,056	16	3.29	8	1.25	10
Kansas	658,889	15	3.13	11	1.59	5
Kentucky	404,024	23	1.65	27	0.59	33
Louisiana	681,474	13	2.51	16	0.81	24
Maine	50,345	46	0.63	41	0.22	44
Maryland	234,625	34	0.60	42	0.27	43
Massachusetts	0	50	0.00	50	0.00	50
Michigan	421,225	22	0.50	44	0.14	45
Minnesota	240,900	31	0.57	43	0.29	42
Mississippi	401,551	24	2.86	14	1.45	7
Missouri	76,841	43	0.18	46	0.09	46
Montana	100,616	42	1.94	21	0.64	32
Nebraska	169,520	38	1.53	31	1.02	18
Nevada	237,263	33	1.79	24	0.65	31
New Hampshire	165,616	39	1.79	25	0.71	28
New Jersey	2,049,185	2	2.38	17	0.71	27
New Mexico	263,314	30	3.02	12	1.84	3
New York	327,209	28	0.18	47	0.07	47
North Carolina	1,490,302	5	2.69	15	1.04	16
North Dakota	52,779	44	1.58	28	0.67	29
Ohio	852,365	11	0.92	38	0.30	41
Oklahoma	438,131	21	2.19	18	1.60	4
Oregon	1,067,721	8	4.73	3	1.47	6
Pennsylvania	1,153,203	6	1.20	35	0.36	36
Puerto Rico	746,718	12	8.91	1	2.12	2
Rhode Island	114,670	41	1.54	30	0.35	37
South Carolina	475,989	20	1.89	22	0.65	30
South Dakota	49,225	47	1.29	33	1.24	11
Tennessee	676,468	14	1.67	26	0.77	26
Texas	543,212	19	0.37	45	0.33	39
Utah	356,102	27	2.92	13	1.44	8
Vermont	181,133	37	4.43	5	1.36	9
Virginia	555,084	18	1.05	36	0.80	25
Virgin Islands	51,816	45	7.60	2	3.33	1
Washington	1,782,439	3	4.23	6	1.00	19
West Virginia	155,501	41	1.53	33	0.38	38
Wisconsin	1,251,196	6	3.02	14	1.17	16
Wyoming	122,243	43	4.11	7	1.36	10

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



EFFECT OF SENATE BILL 145 AS PASSED BY  
THE 1993 SESSION OF THE KANSAS LEGISLATURE

Senate Bill 145 of the 1993 Legislature reduced by 0.10 per cent the planned yield on total wages. This was accomplished by amending Schedule III, the Fund Control Schedule, of the Kansas Employment Security Law. This reduced the total yield required for CY1994 from \$165.7M to \$147.0M. It also lowered the rate range for positive eligible employers from 0.06-4.49 per cent to 0.05-3.86 per cent. There was no rate change for negative balance or ineligible employers. The following table compares the actual CY1994 rates with calculated rates using the pre-1994 Schedule III.

Table 8  
CY1994 Employer Rates  
Actual and Prior Schedule

Rate Group	Rate	
	Actual	Pre-1994 Schedule III
1	.05	0.06
2	.08	0.09
3	.15	0.18
4	.23	0.27
5	.31	0.36
6	.39	0.45
7	.46	0.54
8	.54	0.63
9	.62	0.72
10	.69	0.81
11	.77	0.90
12	.85	0.99
13	.93	1.08
14	1.00	1.17
15	1.08	1.26
16	1.16	1.35
17	1.24	1.44
18	1.31	1.53
19	1.39	1.62
20	1.47	1.71
21	1.54	1.80
22	1.62	1.89
23	1.70	1.98
24	1.78	2.07
25	1.85	2.16
26	1.93	2.25
27	2.01	2.34
28	2.08	2.43
29	2.16	2.52
30	2.24	2.61
31	2.32	2.70
32	2.39	2.79
33	2.47	2.87
34	2.55	2.96
35	2.62	3.05
36	2.70	3.14
37	2.78	3.23
38	2.86	3.32
39	2.93	3.41
40	3.01	3.50
41	3.09	3.59
42	3.17	3.68
43	3.24	3.77
44	3.32	3.86
45	3.40	3.95
46	3.47	4.04
47	3.55	4.13
48	3.63	4.22
49	3.71	4.31
50	3.78	4.40
51	3.86	4.49

## SUMMARY

- Current trust fund balance (January 7, 1994) stands at \$642,484,000.
- Total benefit outlays during calendar year 1993 were \$167,697,313.
- Interest earned during the most recent 12 months was \$45.5M. Twenty-seven per cent of benefit payments were accounted for by trust fund interest earnings.
- Average Kansas employer tax rate during 1993 based on total wages was .90 per cent.
- Kansas ranks in the top 15 among the 50 states in all measures of trust fund adequacy. (September 1993)

<u>Measure</u>	<u>Value</u>	<u>Rank</u>
Reserve fund ratio	3.13	11
High cost multiple	1.59	5
Months of benefits in the fund	44.9	11

---

CONTRIBUTIONS COLLECTED and BENEFITS PAID  
KANSAS UNEMPLOYMENT INSURANCE PROGRAM  
CALENDAR YEARS 1970 - 1992

CALENDAR YEAR	CONTRIBUTIONS COLLECTED	BENEFITS PAID
------------------	----------------------------	------------------

TOTAL                      \$2,412,970,000                      \$2,446,988,000

1970	\$14,848,000	\$34,845,000
1971	\$16,483,000	\$35,371,000
1972	\$36,055,000	\$22,207,000
1973	\$47,462,000	\$20,166,000
1974	\$49,177,000	\$33,180,000
1975	\$51,274,000	\$60,051,000
1976	\$54,683,000	\$53,031,000
1977	\$61,113,000	\$54,236,000
1978	\$81,252,000	\$46,180,000
1979	\$79,500,000	\$59,393,000
1980	\$83,266,000	\$117,680,000
1981	\$88,241,000	\$112,340,000
1982	\$105,685,000	\$217,803,000
1983	\$157,509,000	\$165,895,000
1984	\$172,155,000	\$112,825,000
1985	\$167,887,000	\$139,774,000
1986	\$157,038,000	\$168,447,000
1987	\$158,350,000	\$166,061,000
1988	\$162,054,000	\$148,873,000
1989	\$163,644,000	\$153,438,000
1990	\$168,237,000	\$151,960,000
1991	\$165,618,000	\$184,522,000
1992	\$171,439,000	\$188,710,000

LABOR MARKET INFORMATION SERVICES  
DIVISION OF STAFF SERVICES  
KANSAS DEPARTMENT OF HUMAN RESOURCES  
JANUARY 11, 1994

*House Labor and Industry*  
*Attachment 3*  
*1-12-94*