

MINUTES OF THE HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Anthony R. Brown, at 1:30 p.m. on March 3, 2011, in Room 785 of the Docking State Office Building.

All members were present except:

Representative Schwab	Excused
Representative Peck	Absent

Committee staff present:

Renae Jefferies, Office of the Revisor of Statutes
Ken Wilke, Office of the Revisor of Statutes
Reed Holwegner, Kansas Legislative Research Department
Raney Gilliland, Kansas Legislative Research Department
Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Kathie Sparks, Deputy Secretary, Kansas Department of Labor
Inayat Noormohmad, Director/Senior Labor Economist, Labor Market Information Services

Others attending:

See attached list.

Chairperson Brown explained the handout given to the committee members was provided by Kathie Sparks, Deputy Secretary, Kansas Department of Labor (Attachment 1). The document answers questions from the March 2nd committee meeting.

Kathie then continued her presentation regarding "A Guide to Understanding the UI Trust Fund, Tax Contributions & Benefits", beginning on page 25 where she had ended the day before (Attachment 2).

The meeting adjourned at 2:47 p.m.

HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE
1:30pm,
Room 785, Docking State Office Building

GUEST LIST

DATE: March 3, 2011

NAME	REPRESENTING
<i>Not Distributed by Audience</i>	

March 3, 2011

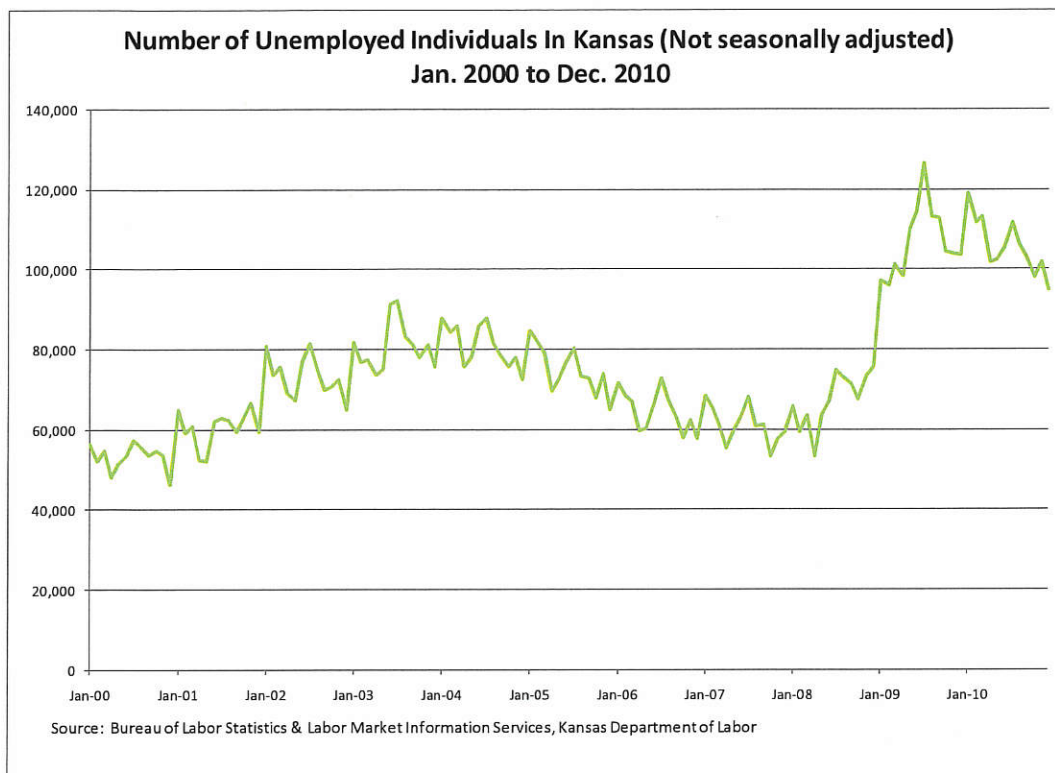
To: House Committee on Commerce

From: Kathie Sparks, Deputy Secretary, Kansas Department of Labor

Re: Responses to Questions Posed by House Committee on Commerce

1. Does the State of Kansas have to pay unemployment insurance (UI) tax on the temporary workers whom they employ?
 - a. Yes, the State does have to pay for temporary workers, as unemployment covers both full and part-time workers. The question of whether these individuals would be eligible for benefits would depend on the base period earnings. If their earnings during the base period are sufficient, even if those earnings are all from part-time work, the individual could qualify for benefits.
2. What trust fund balances have been used to calculate contributing employer tax rates in previous years?
 - a. Please see the memo regarding Trust Fund Balance History, July 31, 2001 – July 31, 2010
3. Who does the 2.7 add-on apply to? Is there a formula to determine who that is assessed against?
 - a. Please see the handout titled "How is the 2.7 Add-on Calculated"
4. What happens when a proprietorship with a negative balance goes out of business and then tries to reopen either the same business, or another business, at a later time? Are they liable for the previous amount owed, or do they begin again as an ineligible employer?
 - a. If the employer tried to open a new account using the same Federal Employer ID Number (FEIN), our computer system would see the duplicate FEIN and would reactivate the previous account with the previous account balances. If the employer has been closed for three complete calendar years, then the previous account would not be reactivated and a new account would be established, making them an ineligible employer.
 - b. If the employer creates a new entity, with a new FEIN, the employer could then be charged with State Unemployment Tax Act (SUTA) dumping, the experience rating factors from the previous account would be merged into the new account and the employer would be assigned a SUTA penalty rate for the next three years.

5. What is the unemployment rate including individuals who have exhausted their benefits and/or are not claiming UI benefits?



6. Are the 4.0% and 6.0% tax rates that are assigned to ineligible employers appropriate given the amount they pay in contributions and have charged against them in benefits?

Active Ineligible Non-Construction Employers (4.0%) - FY 2010	
Total Benefits Charged	Total Contributions Paid
\$3,605,830	\$19,019,365

Active Ineligible Construction Employers (6.0%) - FY 2010	
Total Benefits Charged	Total Contributions Paid
\$2,050,117	\$3,188,458

7. Are there any large employers in the first five positive balance employer rate groups, or are they primarily small businesses?

Largest Employer by Rate Group
Kansas
FY 2010

Rate Group	Largest Employment
1	2,447
2	2,416
3	1,015
4	1,352
5	993

HOUSE COMMERCE & ECONOMIC
DEVELOPMENT
DATE: 03/03/2011
ATTACHMENT: 1-2



March 3, 2011

To: House Committee on Commerce

From: Kathie Sparks, Deputy Secretary, Kansas Department of Labor

Re: Trust Fund Balance History, July 31, 2001 – July 31, 2010

Trust Fund Balance History

Kansas

July 31, 2001 - July 31, 2010

	Fiscal Trust July 31, Fund Balance	Percent Change
2001	508,852,962	-2.5%
2002	515,427,630	1.3%
2003	395,206,626	-23.3%
2004	372,863,939	-5.7%
2005	487,157,612	30.7%
2006	619,927,139	27.3%
2007	654,374,058	5.6%
2008	666,960,942	1.9%
2009	348,964,208	-47.7%
2010	29,218,341	-91.6%

Note: The 2010 Fiscal Trust Fund balance has the outstanding Trust Fund loan balance deducted.



March 3, 2011

To: House Committee on Commerce

From: Kathie Sparks, Deputy Secretary, Kansas Department of Labor

Re: Minimum, Maximum, and Average Weekly Benefit Amounts, SFY 2001 – 2011

Weekly Benefit Amount (WBA)

Kansas

SFY 2001 - 2011

Fiscal Year	Minimum WBA	Maximum WBA	Average WBA
2001	\$80.00	\$320.00	\$249.15
2002	\$83.00	\$333.00	\$269.66
2003	\$86.00	\$345.00	\$272.63
2004	\$87.00	\$351.00	\$269.66
2005	\$89.00	\$359.00	\$268.78
2006	\$93.00	\$373.00	\$278.74
2007	\$96.00	\$386.00	\$290.62
2008	\$101.00	\$407.00	\$305.28
2009	\$105.00	\$423.00	\$337.01
2010	\$109.00	\$436.00	\$336.16
2011	\$108.00	\$435.00	N/A

N/A Not Available



**Federal Advances on UI Loans
As of: March 1, 2011**

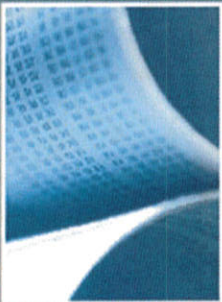
State	Amount
Alabama	\$232,787,526.22
Arizona	\$292,191,090.56
Arkansas	\$330,853,383.31
California	\$10,167,135,261.96
Colorado	\$511,419,891.04
Connecticut	\$651,636,534.48
Delaware	\$48,309,867.88
Florida	\$2,116,200,000.00
Georgia	\$634,500,000.00
Idaho	\$202,401,700.22
Illinois	\$2,690,096,018.26
Indiana	\$2,093,982,275.03
Hawaii	\$27,192,691.86
Kansas	\$120,031,878.61
Kentucky	\$880,900,000.00
Massachusetts	\$167,460,991.02
Michigan	\$3,831,613,914.78
Minnesota	\$621,824,234.64
Missouri	\$798,481,824.08
Nevada	\$691,340,424.81
New Hampshire	\$5,706,016.67
New Jersey	\$1,781,458,918.56
New York	\$3,460,133,686.30
North Carolina	\$2,615,345,463.09
Ohio	\$2,421,567,031.00
Pennsylvania	\$3,365,259,505.98
Rhode Island	\$230,135,412.00
South Carolina	\$944,433,658.29
Vermont	\$55,086,305.65
Virginia	\$406,323,000.00
Virgin Islands	\$19,098,655.71
Wisconsin	\$1,554,709,681.71
Totals	\$43,969,616,843.72

Note: The states of Maryland, South Dakota, Tennessee, and Texas have repaid their Loans in total or have received prior authorization to borrow but have not as of this date borrowed any funds.

House Commerce & Economic
Development Committee

Date: 03/03/2011

Attachment #: 1-5



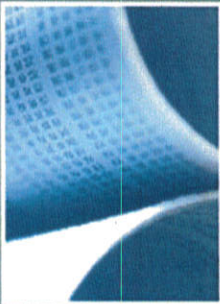
BCR Add-on Calculation

3302(c)(2)(C), FUTA

BCR Add-on = (higher of BCR or 2.7%) – ATR

BCR is the 5-year average benefit cost rate

ATR is the average tax rate on taxable wages



How is the 2.7 Add-on Calculated

3302(c)(2)(B), FUTA

Compute $X = (2.7\% \times (7,000/\text{U.S. Avg. Annual Wage}))$

If State $\text{ATR}_{\text{tot}} < X$,

Add-on = $(X - \text{ATR}_{\text{tot}}) \times (\text{State Avg. Ann. Wage}/7000)$

Example:

$$X = (2.7\% \times 7,000 / 45,179) = 0.42\%$$

$$\text{State } \text{ATR}_{\text{tot}} = 0.3\%$$

$$\text{Add-on} = (0.42\% - 0.3\%) \times (36,533/7,000) = 0.63\%$$

www.dol.ks.gov

Introduction to the Kansas Unemployment Insurance Program: A Guide to Understanding the UI Trust Fund

Kansas Department of Labor
March 2011


KANSAS
DEPARTMENT OF LABOR

House Commerce & Economic
Development Committee
Date: 03/03/2011
Attachment #: 2-1



Trust Fund Borrowing

- The Kansas UI Trust Fund was fully depleted in February 2010 and advances were issued from the U.S. Treasury during February, March, and April
- On Jan. 19, 2011, the UI Trust Fund was again depleted and additional advances were issued
- As of Feb. 25th, the current outstanding loan balance is \$111.8 million
- As of Feb. 23rd, 36 states have received Trust Fund advances
- Funds are transferred into the Kansas Trust Fund daily and on an as needed basis
- Kansas draws down all available funds from it's own Trust Fund. If that amount is not sufficient to satisfy the UI benefit payments for that day, then the remaining amount is drawn from the Federal Unemployment Account.

Interest on Trust Fund Loans

- Through ARRA, Trust Fund loans have been interest free through 2010. Interest began accruing on Jan. 1, 2011.
- Interest accrues daily on advances on a federal fiscal year basis
- Interest rate changes each calendar year at a rate equal to rate earned by the Unemployment Trust Fund from October through December
- Interest is generally due and payable no later than Sept. 30
- Interest cannot be paid directly or indirectly from funds in the state's unemployment fund – 3304(a)17 FUTA
- Reed Act funds cannot be used to pay interest as they reside in the fund

Interest Calculation Example

- In 2010, Kansas was issued a total of \$88.2 million in Title XII loans.
- Under ARRA, interest on Trust Fund Loans was waived through CY 2010.
- The example below assumes that \$111.8 million was, and will remain, the loan balance from Jan. 1, 2011 through Sept. 30, 2011.

Current Kansas Loan Balance = \$111,763,016
(remains outstanding on Sept. 30, 2011)

2010 Interest (92 days) at 0.0% = \$0.00
2011 Interest (273 days) at 4.09% = \$3,418,937.69

Total Interest Due 9/30/11 = \$3,418,937.69

To calculate the daily interest rate take the annual percentage rate (APR) and divide by 365.

FUTA Credit Reduction

- If a state retains a loan balance on January 1st for two consecutive years and has not fully repaid all loans on November 10th of the second year, contributory employers may be subject to reduction of their FUTA credit.
- The credit reductions generally increase those employers' effective FUTA rate by 0.3% each year the balance remains unpaid.
- Receipts credited against the loan balance.

Schedule of FUTA Offset Credit Reductions

Year After First Loan ¹	Basic Credit Reduction (%)	Additional Credit Reduction (%)	Total FUTA Rate (%) ²
1	0.0	0.0	0.8
2	0.3	0.0	1.1
3	0.6	2.7 Add-on	1.4 or more
4	0.9	2.7 Add-on	1.7 or more
5	1.2	BCR Add-on ³	2.0 or more
6	1.5	BCR Add-on	2.3 or more
*	*	*	*
*	*	*	*
*	*	*	*
19	5.4	BCR Add-on	6.2

¹ In terms of consecutive January 1st with an outstanding balance

² FUTA rate with full 5.4% credit is currently 0.8%, but is scheduled to drop to 0.6% in July 2011

³ If BCR Add-on is waived, 2.7 Add-on applies

Avoidance of FUTA Credit Reduction

- A state may avoid credit reduction by:
 - Paying an amount equal to the amount employers would pay through credit reductions;
 - Increasing solvency by an amount equal to amount of FUTA credits employer would lose;
 - Repaying any advances received during the one one-year period ending Nov. 9 that year; and
 - Not borrowing from Nov. 1 of the tax year through Jan. 31 the following year.

FUTA Credit Reduction Cap

- Beginning with the 2nd year a state faces credit reduction, states may have the reduction capped if these criteria are met:
 - No action taken by state during previous FFY to reduce tax effort or decrease solvency;
 - State's avg. tax on total wage exceed 5 year benefit cost rate on total wages;
 - Loan balance not greater than balance 3 years earlier.
- A state who qualifies for a cap will have their credit reduction set at the greater of 0.6% or the prior year's level
- If the state qualifies for a cap, that year is not counted in the number of consecutive January 1sts

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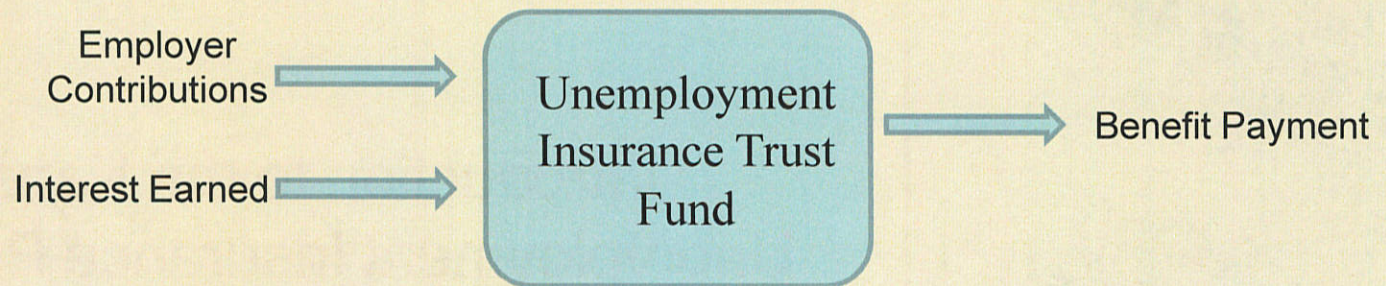
Introduction to the Kansas Unemployment Insurance Program: A Guide to Understanding Employer UI Tax Contributions


KANSAS
DEPARTMENT OF LABOR

House Commerce & Economic
Development Committee
Date: 03/03/2011
Attachment #: 2-9

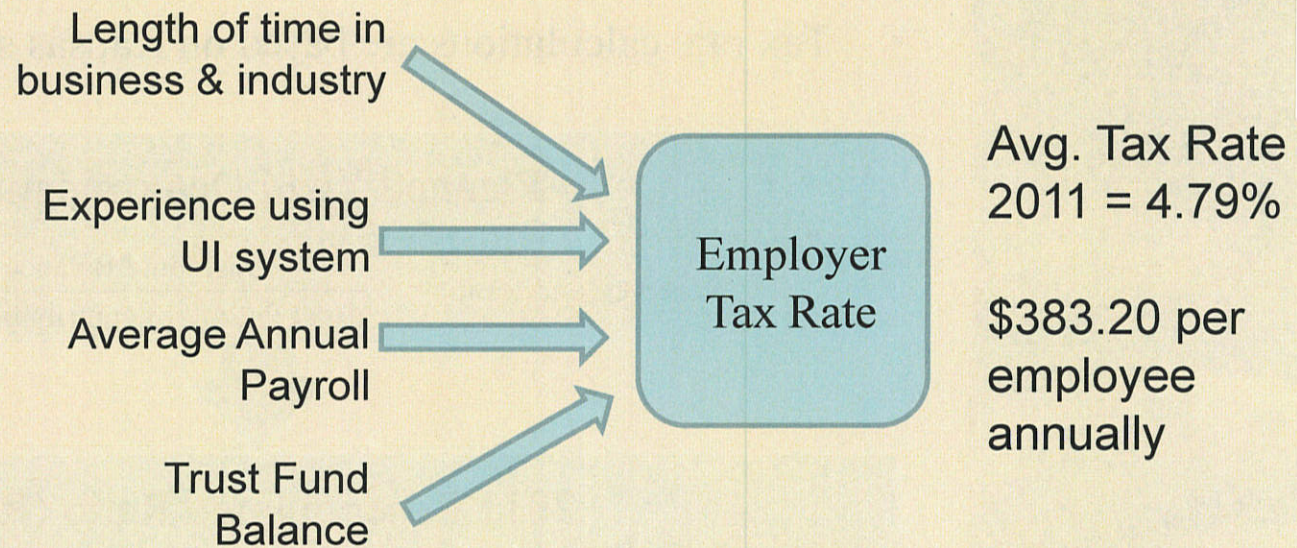


Unemployment Insurance Trust Fund



- UI Trust Fund monies can only be used to pay benefits
- Trust Fund Balance as of 2/25/2011 = \$336,146
- Trust Fund Loans as of 2/25/2011 = \$111.8 million

Employer Tax Rates



- Reduced tax rates or Standard Tax rates – 2007 SB 83
 - In effect in 2007, 2008 & 2009
- Reduced Tax Rates not triggered for 2010 & 2011
- House Bill 2676 – Reduced Rate
 - \$43 Million relief CY 2010
 - \$75.8 Million relief CY 2011

Calculating the UI Tax Rates

2-12

- Tax rate calculations are based on Kansas statute KS 44-710a

Planned Yield Determination

$$\text{Reserve Fund Ratio} = \frac{\text{Trust Fund Balance as of July 31}^{\text{st}}}{\text{Total Payroll of contributing employers (SFY)}}$$



2011 Reserve Fund Ratio (RFR)

$$2011 \text{ RFR} = 0.076 = \frac{\$29,218,341}{\$38,269,405,914}$$



Determine Tax Rate on total payroll (Schedule III in statue)

Tax Rate on Total Wages

Tax Rate on Taxable Wages

Schedule III - Fund Control Ratio to Total Wages

44-710a

Employment Security Law

44-710a

SCHEDULE III - Fund Control Ratio to Total Wages

Column A Reserve Fund Ratio	Column B Planned Yield
4.500 and over.....	0.00
4.475 but less than 4.500.....	0.01
4.450 but less than 4.475.....	0.02
4.425 but less than 4.450.....	0.03
4.400 but less than 4.425.....	0.04
4.375 but less than 4.400.....	0.05
4.350 but less than 4.375.....	0.06
4.325 but less than 4.350.....	0.07
4.300 but less than 4.325.....	0.08
4.275 but less than 4.300.....	0.09
4.250 but less than 4.275.....	0.10
4.225 but less than 4.250.....	0.11
4.200 but less than 4.225.....	0.12
4.175 but less than 4.200.....	0.13
4.150 but less than 4.175.....	0.14
4.125 but less than 4.150.....	0.15
4.100 but less than 4.125.....	0.16
4.075 but less than 4.100.....	0.17
4.050 but less than 4.075.....	0.18
4.025 but less than 4.050.....	0.19
4.000 but less than 4.025.....	0.20
3.950 but less than 4.000.....	0.21
3.900 but less than 3.950.....	0.22
3.850 but less than 3.900.....	0.23
3.800 but less than 3.850.....	0.24
3.750 but less than 3.800.....	0.25
3.700 but less than 3.750.....	0.26
3.650 but less than 3.700.....	0.27
3.600 but less than 3.650.....	0.28
3.550 but less than 3.600.....	0.29
3.500 but less than 3.550.....	0.30
3.450 but less than 3.500.....	0.31
3.400 but less than 3.450.....	0.32
3.350 but less than 3.400.....	0.33
3.300 but less than 3.350.....	0.34
3.250 but less than 3.300.....	0.35
3.200 but less than 3.250.....	0.36
3.150 but less than 3.200.....	0.37
3.100 but less than 3.150.....	0.38
3.050 but less than 3.100.....	0.39
3.000 but less than 3.050.....	0.40
2.950 but less than 3.000.....	0.41
2.900 but less than 2.950.....	0.42
2.850 but less than 2.900.....	0.43
2.800 but less than 2.850.....	0.44
2.750 but less than 2.800.....	0.45
2.700 but less than 2.750.....	0.46
2.650 but less than 2.700.....	0.47
2.600 but less than 2.650.....	0.48
2.550 but less than 2.600.....	0.49
2.500 but less than 2.550.....	0.50
2.450 but less than 2.500.....	0.51
2.400 but less than 2.450.....	0.52
2.350 but less than 2.400.....	0.53

2.300 but less than 2.350.....	0.54
2.250 but less than 2.300.....	0.55
2.200 but less than 2.250.....	0.56
2.150 but less than 2.200.....	0.57
2.100 but less than 2.150.....	0.58
2.050 but less than 2.100.....	0.59
2.000 but less than 2.050.....	0.60
1.975 but less than 2.000.....	0.61
1.950 but less than 1.975.....	0.62
1.925 but less than 1.950.....	0.63
1.900 but less than 1.925.....	0.64
1.875 but less than 1.900.....	0.65
1.850 but less than 1.875.....	0.66
1.825 but less than 1.850.....	0.67
1.800 but less than 1.825.....	0.68
1.775 but less than 1.800.....	0.69
1.750 but less than 1.775.....	0.70
1.725 but less than 1.750.....	0.71
1.700 but less than 1.725.....	0.72
1.675 but less than 1.700.....	0.73
1.650 but less than 1.675.....	0.74
1.625 but less than 1.650.....	0.75
1.600 but less than 1.625.....	0.76
1.575 but less than 1.600.....	0.77
1.550 but less than 1.575.....	0.78
1.525 but less than 1.550.....	0.79
1.500 but less than 1.525.....	0.80
1.475 but less than 1.500.....	0.81
1.450 but less than 1.475.....	0.82
1.425 but less than 1.450.....	0.83
1.400 but less than 1.425.....	0.84
1.375 but less than 1.400.....	0.85
1.350 but less than 1.375.....	0.86
1.325 but less than 1.350.....	0.87
1.300 but less than 1.325.....	0.88
1.275 but less than 1.300.....	0.89
1.250 but less than 1.275.....	0.90
1.225 but less than 1.250.....	0.91
1.200 but less than 1.225.....	0.92
1.175 but less than 1.200.....	0.93
1.150 but less than 1.175.....	0.94
1.125 but less than 1.150.....	0.95
1.100 but less than 1.125.....	0.96
1.075 but less than 1.100.....	0.97
1.050 but less than 1.075.....	0.98
1.025 but less than 1.050.....	0.99
1.000 but less than 1.025.....	1.00
0.900 but less than 1.000.....	1.01
0.800 but less than 0.900.....	1.02
0.700 but less than 0.800.....	1.03
0.600 but less than 0.700.....	1.04
0.500 but less than 0.600.....	1.05
0.400 but less than 0.500.....	1.06
0.300 but less than 0.400.....	1.07
0.200 but less than 0.300.....	1.08
0.100 but less than 0.200.....	1.09
Less than 0.100%.....	1.10

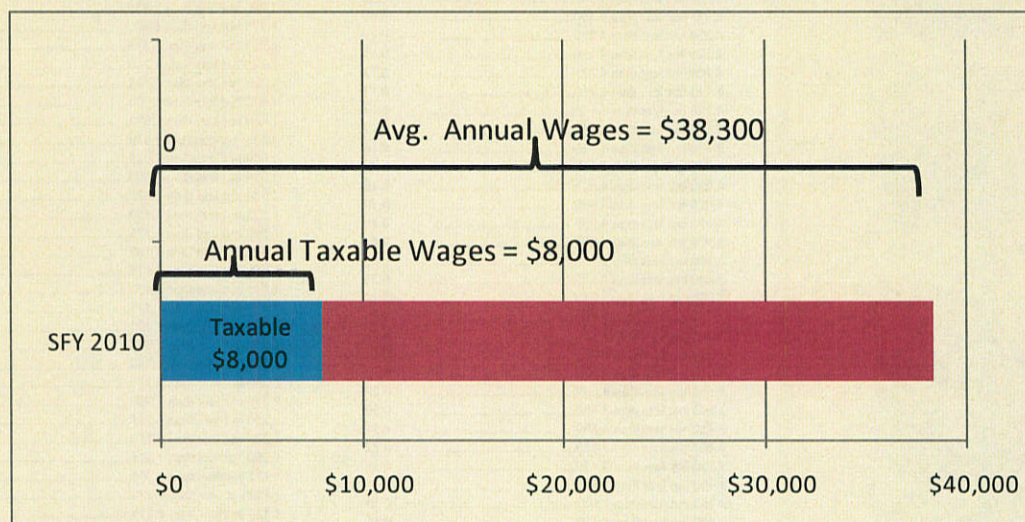
1.10% of total
wages will provide
the required yield

2011 RFR = .076

House Commerce & Economic
Development Committee
Date: 03/09/2011
Attachment #: 2 of 13

Tax Rate on Total & Taxable Wages

- Schedule III provides the tax rate on total wages needed to generate the required yield



Average Tax Rate for 2011:

Total Wages
1.10%

Taxable Wages
4.79%

Planned Yield

- Taxable Wages for Fiscal Year 2010 were \$8,787,446,530
- Planned Yield is determined by multiplying the taxable wages by the rate

Reduced HB 2676 Planned Yield for 2011:
\$345,123,921

- The calculated Planned Yield for 2011 was \$420.9 million (\$8.8 billion x 4.79%), but HB 2676 rates reduced the Planned Yield to \$345.1 million
- This Planned Yield is collected from Kansas employers for deposit into the Unemployment Insurance Trust Fund to be used for UI benefit payment

Types of Employers

Ineligible Employers

New employers who do not have 24 consecutive months of chargeability are not eligible for experience rating

Negative Balance Employers

Employers who have had more money charged against their account for benefits than they have paid in contributions

Positive Balance Employers

Employers who have paid in more money in contributions than the amount of benefits charged against their account

Types of Employers & Rates Under Current Law

Ineligible Employers

Ineligible employers have set rates:

- 6.0% - Construction industry
- 4.0% - All other industries

Negative Balance Employers

- Rate is 5.4% plus a surcharge that is based on their account balance and average annual payroll

- Surcharge ranges from 0.2% to 2.0%
- Rates will range from 5.6% to 7.4%

Positive Balance Employers

- Rate is determined based on their UI experience

- Arrayed across 51 rate groups
- Maximum rate is 5.4%

Employer Tax Amount Determination

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Planned
Yield
Identified

- Based on statute 44-710a (as mentioned in earlier slides)
- CY 2011 = **\$420,900,000**

Estimate
Amount from
Ineligible
Employers

- This amount is deducted from planned yield
- CY 2011 = **\$14,287,232**

Estimated
Amount from
Negative
Balance
Employers

- This amount is deducted from planned yield
- CY 2011 = **\$75,733,577**

Amount left
to be
collected
from Positive
Balance
Employers

- Amount to collect from 51 rate groups
- $\$420,900,000 - \$14,287,232 - \$75,733,577 = \mathbf{\$330,879,191}$

Positive
Balance
Employer HI
2676 Yield

- HB 2676 reduced positive balance employer yield by \$75,776,079
- $\$330,879,191 - \$75,776,079 = \mathbf{\$255,103,112}$

Final CY
2011 Planned
Yield

- **Final CY 2011 Planned Yield** = $\$14,287,232 + \$75,733,577 + \$255,103,112 = \mathbf{\$345,123,921}$

2011 HB 2676 Negative & Ineligible Employer Tax Rates

Ineligible Employers			
Employer Group	Contribution Rate	SFY 2010 Taxable Wages	Estimated Yield
Ineligible			
Construction Industry	6.0%	\$30,153,115	\$1,809,187
All Other Industries	4.0%	\$311,951,116	\$12,478,045
Total		\$342,104,231	\$14,287,232

NOTE: For RY 2011, there were 10,121 active ineligible accounts.

Negative Balance Employers			
Employer Group	Contribution Rate	SFY 2010 Taxable Wages	Estimated Yield
Negative Balance	5.6% - 7.4%	\$1,402,473,643	\$75,733,577

NOTE: For RY 2011, there were 7,705 active negative accounts.

2011 HB 2676 Positive Employer Tax Rates

Rate Group	Experience Factor	SFY 2010 Taxable Wages	Contribution Rate	Estimated Yield
1	0.025	\$139,180,195	0.11	\$153,098
2	0.04	\$134,485,635	0.17	\$228,626
3	0.08	\$136,917,608	0.34	\$465,520
4	0.12	\$136,955,611	0.51	\$698,474
5	0.16	\$136,718,941	0.68	\$929,689
6	0.20	\$136,940,739	0.85	\$1,163,996
7	0.24	\$137,315,024	1.01	\$1,386,882
8	0.28	\$136,712,213	1.18	\$1,613,204
9	0.32	\$136,576,220	1.35	\$1,843,779
10	0.36	\$136,778,184	1.52	\$2,079,028
11	0.40	\$137,606,333	1.69	\$2,325,547
12	0.44	\$177,569,575	1.86	\$3,302,794
13	0.48	\$95,804,282	2.03	\$1,944,827
14	0.52	\$137,248,132	2.20	\$3,019,459
15	0.56	\$137,634,500	2.37	\$3,261,938
16	0.60	\$135,006,857	2.54	\$3,429,174
17	0.64	\$161,451,537	2.71	\$4,375,337
18	0.68	\$112,864,682	2.88	\$3,250,503
19	0.72	\$136,250,179	3.04	\$4,142,005
20	0.76	\$141,818,925	3.21	\$4,552,387
21	0.80	\$132,447,430	3.38	\$4,476,723
22	0.84	\$244,403,721	3.55	\$8,676,332
23	0.88	\$29,839,630	3.72	\$1,110,034
24	0.92	\$135,487,922	3.89	\$5,270,480
25	0.96	\$136,907,800	4.06	\$5,558,457
26	1.00	\$136,617,985	4.23	\$5,778,941

Rate Group	Experience Factor	SFY 2010 Taxable Wages	Contribution Rate	Estimated Yield
27	1.04	\$139,581,768	4.40	\$6,141,598
28	1.08	\$134,361,628	4.57	\$6,140,326
29	1.12	\$136,896,157	4.74	\$6,488,878
30	1.16	\$137,654,648	4.90	\$6,745,078
31	1.20	\$137,194,338	5.07	\$6,955,753
32	1.24	\$152,664,874	5.24	\$7,999,639
33	1.28	\$119,448,384	5.40	\$6,450,213
34	1.32	\$136,920,146	5.40	\$7,393,688
35	1.36	\$137,109,868	5.40	\$7,403,933
36	1.40	\$136,469,232	5.40	\$7,369,339
37	1.44	\$136,781,227	5.40	\$7,386,186
38	1.48	\$146,256,664	5.40	\$7,897,860
39	1.52	\$131,400,556	5.40	\$7,095,630
40	1.56	\$133,019,572	5.40	\$7,183,057
41	1.60	\$137,225,784	5.40	\$7,410,192
42	1.64	\$137,256,631	5.40	\$7,411,858
43	1.68	\$136,365,479	5.40	\$7,363,736
44	1.72	\$138,360,393	5.40	\$7,471,461
45	1.76	\$137,863,810	5.40	\$7,444,646
46	1.80	\$137,935,818	5.40	\$7,448,534
47	1.84	\$132,626,277	5.40	\$7,161,819
48	1.88	\$140,213,582	5.40	\$7,571,533
49	1.92	\$139,521,289	5.40	\$7,534,150
50	1.96	\$130,993,216	5.40	\$7,073,634
51	2.00	\$139,317,375	5.40	\$7,523,138
Total		\$6,980,978,576		\$255,103,112

NOTE: For RY 2011, there were 50,158 active positive balance accounts.

Positive Balance Employers

- Positive balanced employers arrayed across 51 rate groups
 - Based on individual employer's reserve ratio
 - Ratio of employer's account balance to employer's average annual payroll
- Employers with more favorable ratios are placed in the lower numbered rate groups
- Goal is to equally spread wages across each of 51 rate groups (1.96% of taxable wages in each rate group)

Tax Relief - 2010 House Bill 2676

- For calendar year 2010 and 2011, the charge for contributing employers in rate groups 1 through 32 will be that of the 2010 original tax rate computation table which lowered the amount of funding coming into the trust fund.
- Contributing employers in rate groups 33 through 51 are capped at a 5.4 percent contribution rate, which is the statutory maximum rate allowed for positive balance employers.
- Employers have 90 days past the due date to file their contribution without being charged interest for the first three quarters of each of the two years.

Yearly Schedule

- Tax rate notices sent in mid-December
- Review and redetermination can be requested within 15 days
- Employers file Quarterly Wage Reports (QWR) and pay tax contributions at the end of each quarter
 - 1st Quarter due April 30th
 - 2nd Quarter due July 31st
 - 3rd Quarter due October 31st
 - 4th Quarter due January 31st
- HB 2676 provides a 90-day interest free grace period for contribution payments for the 1st, 2nd, and 3rd quarters of 2010 and 2011.

Sample Experience Rating Notice

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DEPARTMENT OF LABOR

401 SW Topeka Boulevard
Topeka, Kansas 66603-3182

2011 EXPERIENCE RATING NOTICE

DATE MAILED: 12-13-2010
ACCOUNT NO. [REDACTED]

2011 TAXABLE
WAGE BASE: \$8,000.00

	<u>CONTRIBUTIONS PAID</u>	<u>BENEFITS CHARGED</u>	<u>TAXABLE PAYROLL</u>	
PRIOR YEARS				
THRU JUNE 30, 2009	6,835.78	309.74	2007	40,000.00
FOR FISCAL YEAR			2008	63,040.00
ENDED JUNE 30, 2010	2,416.03	.00	2009	57,666.66
TOTALS	9,251.81	309.74	TOTAL	160,706.66
ACCOUNT BALANCE IS:	8,942.07	(Contributions Paid Less Benefits Charged)	Average Taxable Payrolls Shown is →	53,568.88

RATE COMPUTATION

ACCOUNT BALANCE	/	AVERAGE ANNUAL TAXABLE PAYROLL	=	RESERVE RATIO	RATE GROUP	YOUR CONTRIBUTION RATE FOR
8,942.		53,569.		16.693	21	2011 is 3.38%

If you have any questions regarding your 2011 Contribution Rate Computation shown above or the Voluntary Contribution Computation shown below, contact: [REDACTED]



www.dol.ks.gov

Introduction to the Kansas Unemployment Insurance Program: A Guide to Understanding UI Benefits


KANSAS
DEPARTMENT OF LABOR

House Commerce & Economic
Development Committee
Date: 03/03/2011
Attachment #: 2-25



Available UI Benefits

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What unemployment benefits are available?

Up to 86 weeks of unemployment benefits available



26 weeks	20 weeks	14 weeks	13 weeks	13 weeks
Regular Unemployment Benefits	Emergency Unemployment Compensation 2008 (EUC 08) Benefits	Tier II EUC Benefits	Tier III EUC Benefits	State Extended Benefits (EB)
<ul style="list-style-type: none"> ★ Available for up to 26 weeks (length depends on employment history and earnings) ★ To receive unemployment benefits, you must be: <ul style="list-style-type: none"> • Able and available to work • Actively seeking employment • Unemployed due to no fault of your own 	<ul style="list-style-type: none"> ★ Program began July 6, 2008 ★ Up to 20 weeks of extended unemployment benefits are available under the Emergency Unemployment Compensation (EUC08) Act. ★ Workers potentially eligible for extended benefits: <ul style="list-style-type: none"> • Have filed a valid UI claim and exhausted all regular UI benefits • Have no rights to regular compensation • Have had 20 weeks of full-time insured employment or the equivalent in insured wages • Are fully or partially unemployed on or after July 6, 2008 and meet all eligibility criteria such as being ready, willing and able to work ★ If you were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program. 	<ul style="list-style-type: none"> ★ Effective June 7, 2009 ★ Originally provided up to 13 weeks of additional benefits. ★ Legislation passed on Nov. 6, 2009, extended the total weeks available from 13 to 14. One-week extension effective week ending Nov. 14, 2009. ★ Nov. 6 legislation removed a requirement that the state's average seasonally adjusted unemployment rate be 6.0 percent or higher for three consecutive months in order to trigger on to the program. ★ If you received EUC Tier I benefits, you are likely to be eligible for Tier II benefits. <ul style="list-style-type: none"> • If eligible, benefits will roll over from Tier I to Tier II and claimants will not need to fill out an additional application ★ If you were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program. 	<ul style="list-style-type: none"> ★ Effective Nov. 8, 2009 ★ Up to an additional 13 weeks of benefits are available under Tier III EUC. ★ To be eligible for Tier III benefits, individuals must meet the following criteria: <ul style="list-style-type: none"> • Exhausted regular state unemployment insurance benefits and Tier I and II EUC benefits • Not eligible for a new state unemployment insurance claim in any state or in Canada ★ If you were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program. 	<ul style="list-style-type: none"> ★ The first week a Kansas claimant was eligible for state extended benefits was the week ending August 8, 2009. ★ Up to 13 weeks of additional benefits are available through the State Extended Benefits program. ★ The program kicks in when the state's seasonally adjusted unemployment rate is 6.5% or more for three consecutive months. The program remains in effect until the state's seasonally adjusted unemployment rate drops below 6.5%. ★ To be eligible you must meet the following criteria: <ul style="list-style-type: none"> • Exhausted regular state unemployment insurance benefits, EUC Tier I, II and III benefits • Not eligible for a new state unemployment insurance claim in any state or in Canada ★ If you haven't exhausted all EUC benefits and were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program.
Funded 100% with State UI Trust Fund	Funded 100% with Federal Funds	Funded 100% with Federal Funds	Funded 100% with Federal Funds	Funded 100% with Federal Funds through the week ending Jan. 7, 2012.

Last Updated 12-17-10

Minimum & Maximum Benefit Amounts

Weekly Benefit Amount (WBA)
Minimum, Maximum and Average
SFY 2002 - 2011

<u>Fiscal Year</u>	<u>Minimum WBA</u>	<u>Maximum WBA</u>	<u>Average WBA</u>
2002	\$83.00	\$333.00	\$269.66
2003	86.00	345.00	272.63
2004	87.00	351.00	269.66
2005	89.00	359.00	268.78
2006	93.00	373.00	278.74
2007	96.00	386.00	290.62
2008	101.00	407.00	305.28
2009	105.00	423.00	337.01
2010	109.00	436.00	336.16
2011	108.00	435.00	N/A

N/A Not Available

Who Qualifies for Benefits?

- The individual has made a claim for benefits.
- The individual has registered for work.
- The individual is able to work, available for work, and is actively seeking work.
- The individual has been unemployed and has claimed a waiting period of one week which occurs within the benefit year.
- The individual has received wages from insured employment in two or more quarters of the base period, and has total base period wages equaling at least 30 times the weekly benefit amount earned from an employer in Kansas.
- The individual's employment was for services not specifically excluded by the act.
- The individual who is not disqualified in accordance with provisions of the law.

Disqualification for Unemployment Insurance Benefits

•A claimant is disqualified beginning with the day after the separation until re-employed and has had insured earnings of at least three times the determined weekly benefit amount if the claimant:

- Voluntarily left work without good cause attributable to the work or the employer. There are 12 specific exceptions whereby benefits may be payable. A claims representative will provide further information.

- Was discharged for misconduct connected with the work. There are specific circumstances that are not disqualifying. A claims representative will provide further information.

- Failed, without good cause, to apply for or to accept suitable work when offered by the employment office or an employer.

- Failed, after a temporary job assignment, to affirmatively request an additional assignment on the next succeeding workday, if required by the employment agreement, after completion of a given work assignment.

•A claimant discharged for gross misconduct connected with the work is disqualified until reemployed and has had insured earnings of at least eight times the determined weekly benefit amount. In addition, all wage credits attributable to the employment from which the individual was discharged for gross misconduct are canceled.

•A one-year disqualification is applied for making false statements or for withholding information to obtain more benefits than due.

Disqualification for Unemployment Insurance Benefits

- Benefits are denied for each week in which the claimant is:
 - Unemployed because of a labor dispute in which the individual is interested, participating, or financing.
 - Claiming or receiving benefits under another state or federal law.
 - Receiving compensation for temporary total or permanent total disability under the worker's compensation law of a state or the United States.
 - Not able to perform the duties of the individual's customary occupation or the duties of other occupations for which the individual is reasonably fitted by training or experience.
 - Not pursuing a full course of action most reasonably calculated to result in reemployment.
 - Considered to be in need of reemployment services through a profiling system but fails to participate in such reemployment services or to show justifiable cause for failure to participate.

Disqualification for Unemployment Insurance Benefits

- Other disqualifications:

- Employees of educational institutions are disqualified from benefits between terms or academic years if they had a contract or reasonable assurance for their work in a recently completed academic year or term, and have a contract or reasonable assurance of employment in the same or similar position for the next academic year or term.

- A school bus or other motor vehicle driver employed by a private contractor to transport pupils, students, and school personnel to or from school-related functions or activities for an educational institution are disqualified between academic years or terms if the individual has a contract or assurance of employment for the next academic year. (Services as a bus or other motor vehicle driver for a private contractor to transport persons to or from nonschool related functions or activities are not disqualified.)

- Employees of governmental entities and nonprofit organizations described in section 501(c)(3) of the Federal Internal Revenue Code of 1986 that provide any services to or on behalf of an educational institution are disqualified for benefits between academic years or terms if the individual has a contract or assurance of employment for the next academic year or term.

- An individual is disqualified when registered at and attending an established school, training facility, or any other educational institution, or is on vacation during or between two successive academic years or terms unless engaged in full-time employment concurrent while attending school or is attending approved training.

Disqualification for Unemployment Insurance Benefits

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- Other disqualifications:

- Benefits based on wage credits earned as a professional athlete are not available between seasons to individuals who have been employed in the past sports season as a professional athlete and have a reasonable assurance of being again employed as a professional athlete in the following sports season.

- Wages earned by aliens while working illegally in the United States are not available to establish unemployment insurance benefits.

- The weekly benefit amount is reduced if the claimant is receiving a governmental or other pension, retirement or retired pay, annuity, or other similar periodic payment under a plan maintained by a base period employer.

- Back pay is considered as wages and is allocated to the week(s) and reported as specified in the order or agreement. If not specified, then the back pay is allocated and reported to the week(s) that wages would have been paid.

- Certain remuneration is considered wages to be reported by the claimant which is deductible from the claimant's weekly benefit amount.

The Claim Filing Process

Current Law - Example of Initial Claim and Payment Schedule when Waiting Week Is Paid

January 2011

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
					Individual Laid Off from Work	1
2 1 st Week of Unemployment	3 File Initial Claim (Effective 1/2/11)	4	5	6	7	8
WAITING WEEK – MAY BE RETROACTIVELY PAID						
9 2 nd Week of Unemployment	10 File for Waiting Week Ending 01/08/11	11	12	13	14	15
16 3 rd Week of Unemployment	17 File for Week Ending 01/15/11	18 Payment for 2 nd Week (01/15/11) Issued	19	20	21	22
23 4 th Week of Unemployment	24 File for Week Ending 01/22/11	25 Payments for 1 st & 3 rd Weeks (01/08/11 & 01/22/11) Issued	26	27	28	29
30 5 th Week of Unemployment	31 File for Week Ending 01/29/11	Payment for 4 th Week (01/29/11) Issued				

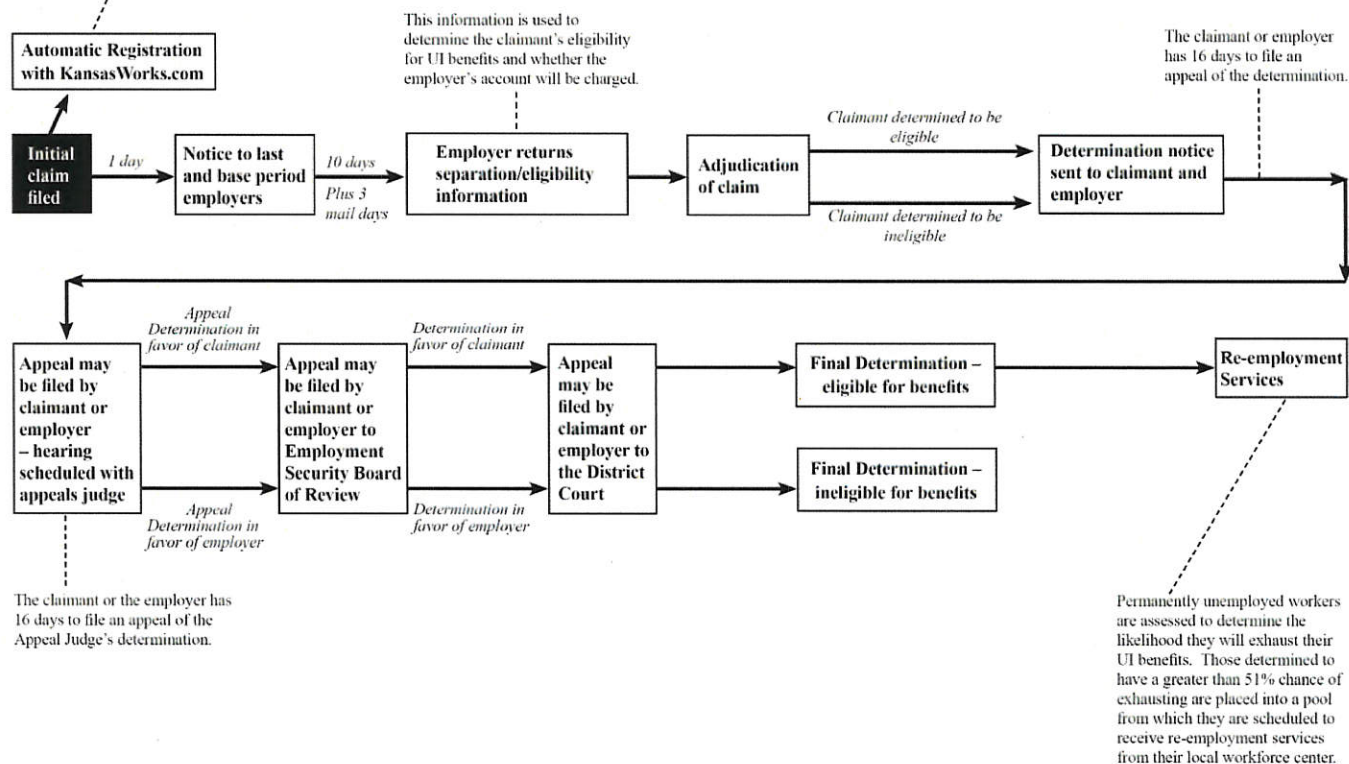
NOTE: The waiting week may be retroactively paid if an individual has filed claims for three consecutive weeks and no eligibility issues have occurred.

The Process of Benefit Approval

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Claimants who are permanently severed from employment must look for work each week to maintain eligibility. Those who are temporarily laid off or are members of a placement union do not need to seek work but must be available to accept a recall to work.

UI Initial Claim and Employer Notification Process



Statistics on Appeals

Lower Level Appeals 2010

	Number	Percent
Decided in Favor of Claimant	8,081	47.3%
Decided in Favor of Employer	<u>9,011</u>	<u>52.7%</u>
Total Number of Appeals Filed	17,092	100.0%

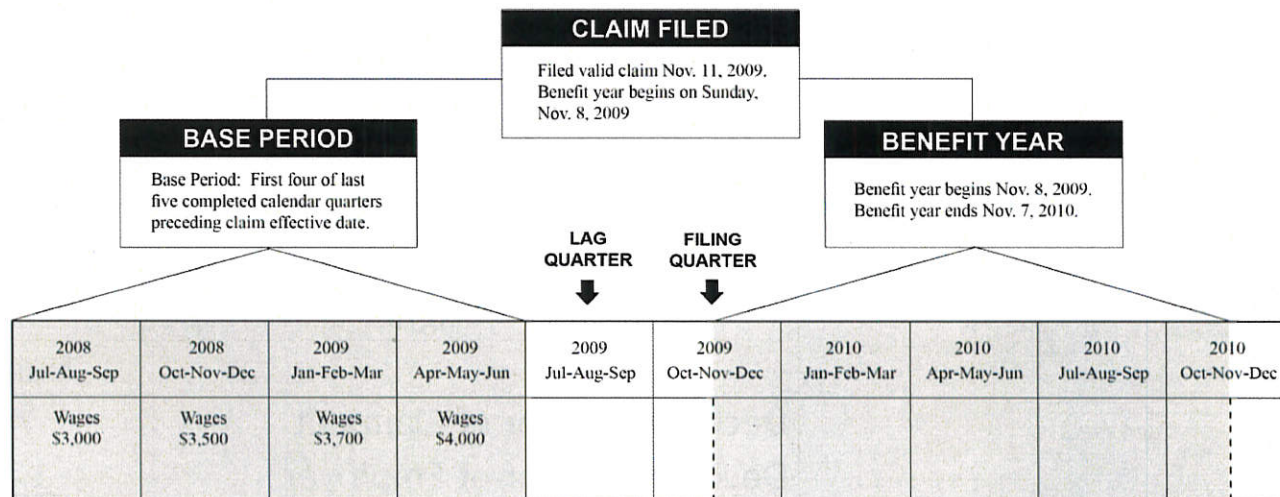
Higher Level Appeals 2010

	Number	Percent
Decided in Favor of Claimant	721	29.5%
Decided in Favor of Employer	<u>1,723</u>	<u>70.5%</u>
Total Number of Appeals Filed	2,444	100.0%

Determining the Benefit Amount

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Determining the Benefit Amount



Weekly Benefit Amount (WBA)

The claimant had the highest earnings (\$4,000) in the April-May-June quarter of 2009.....\$4,000 x 4.25% = **\$170** (weekly benefit amount)

Qualifying Earnings

To qualify for benefits, the claimant must have been paid wages from insured employment

in at least two quarters with total wages of at least thirty times the weekly benefit amount.....30 x \$170 = **\$5,100** (qualifying earnings)
(In this example, the claimant qualifies.)

Total Benefit Amount

\$3,000 + \$3,500 + \$3,700 + \$4,000 = \$14,200 = total base period earnings

1/3 of \$14,200 = \$4,733

26 x \$170 (weekly benefit amount) = \$4,420

\$4,420 is the Total benefit amount (since \$4,420 is less than \$4,733)..... = **\$4,420** (total benefit amount)

Alternate Base Period

If an individual has insufficient wages to establish entitlement using a traditional base period, entitlement will be calculated using an alternate base period that consists of the last four completed calendar quarters prior to the claim effective date.

Average Duration of Benefits

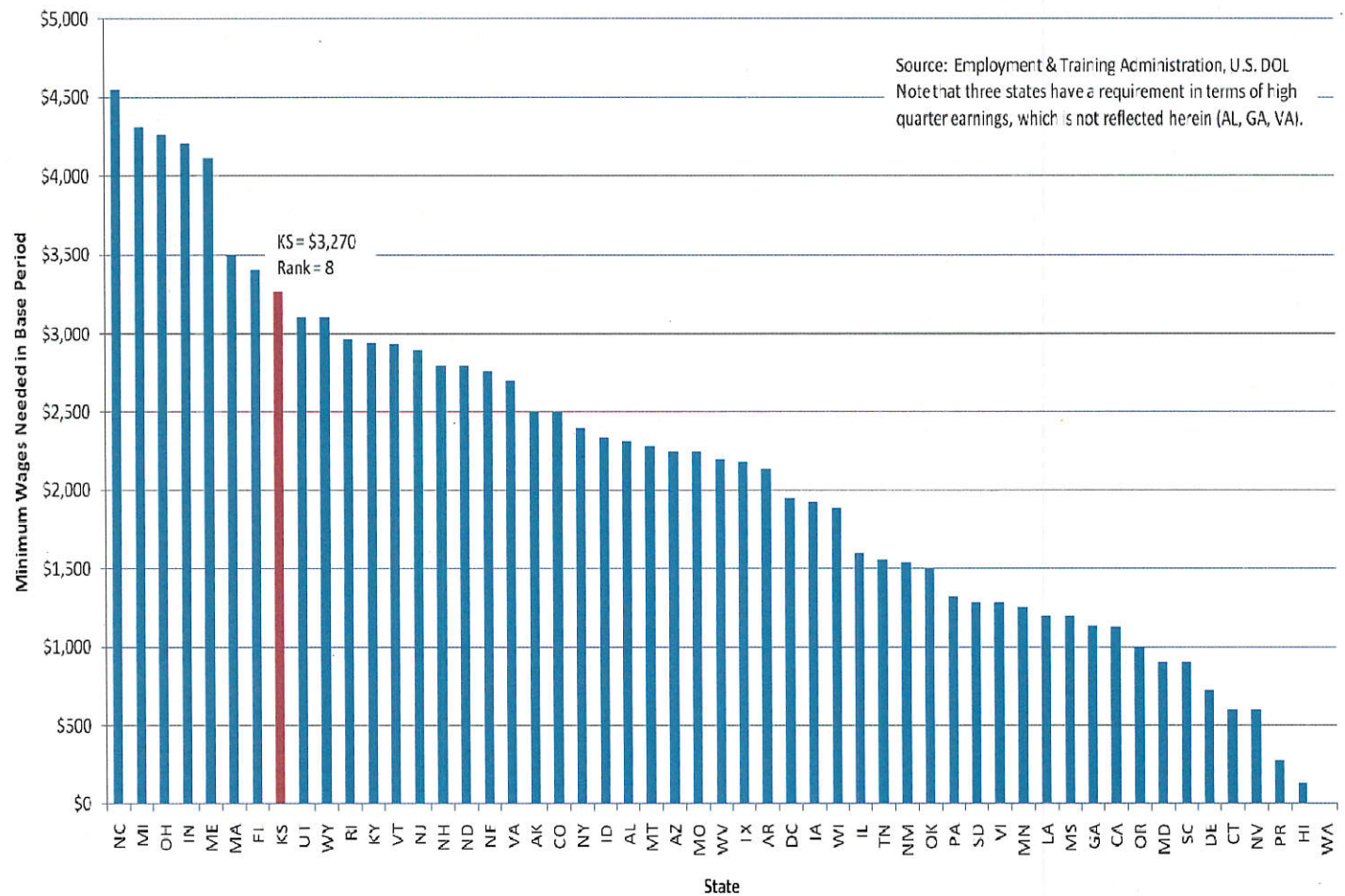
Weeks of Duration
CY 2000 - 2009

<u>Calendar Year</u>	<u>Weeks of Duration</u>
2000	13.3
2001	13.4
2002	15.8
2003	16.0
2004	16.1
2005	15.3
2006	14.4
2007	13.7
2008	14.2
2009	18.1

Average duration from 4th Qtr. 2009 to 3rd Qtr. 2010 was 19.0 weeks. The U.S. average during this time was 19.4 weeks.

Comparing Benefits Statistics

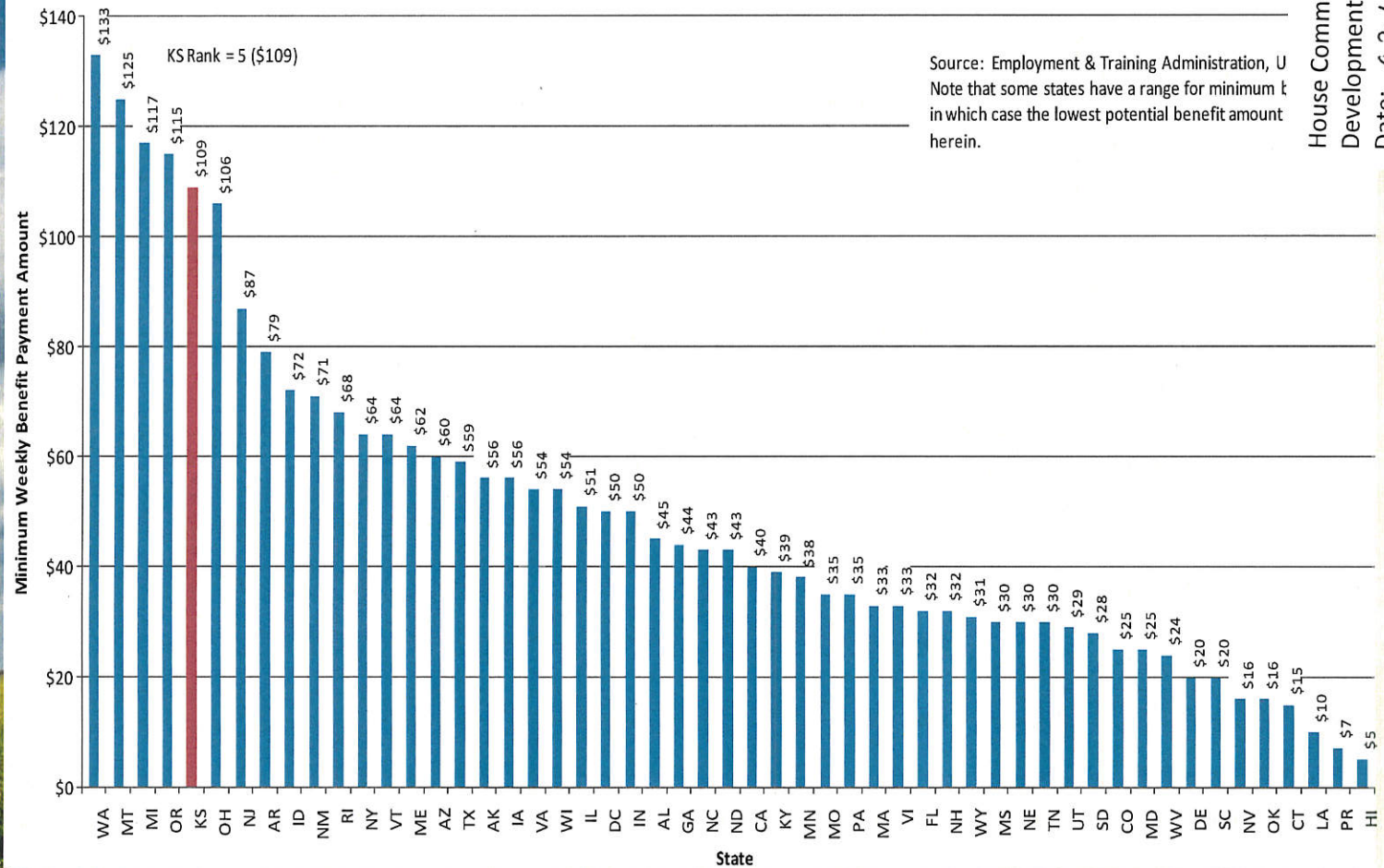
Minimum Wages Required to Qualify for Benefits
2010



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Comparing Benefits Statistics

Minimum Weekly Benefit Payment Amount
2010



House Commerce & Economic
Development Committee

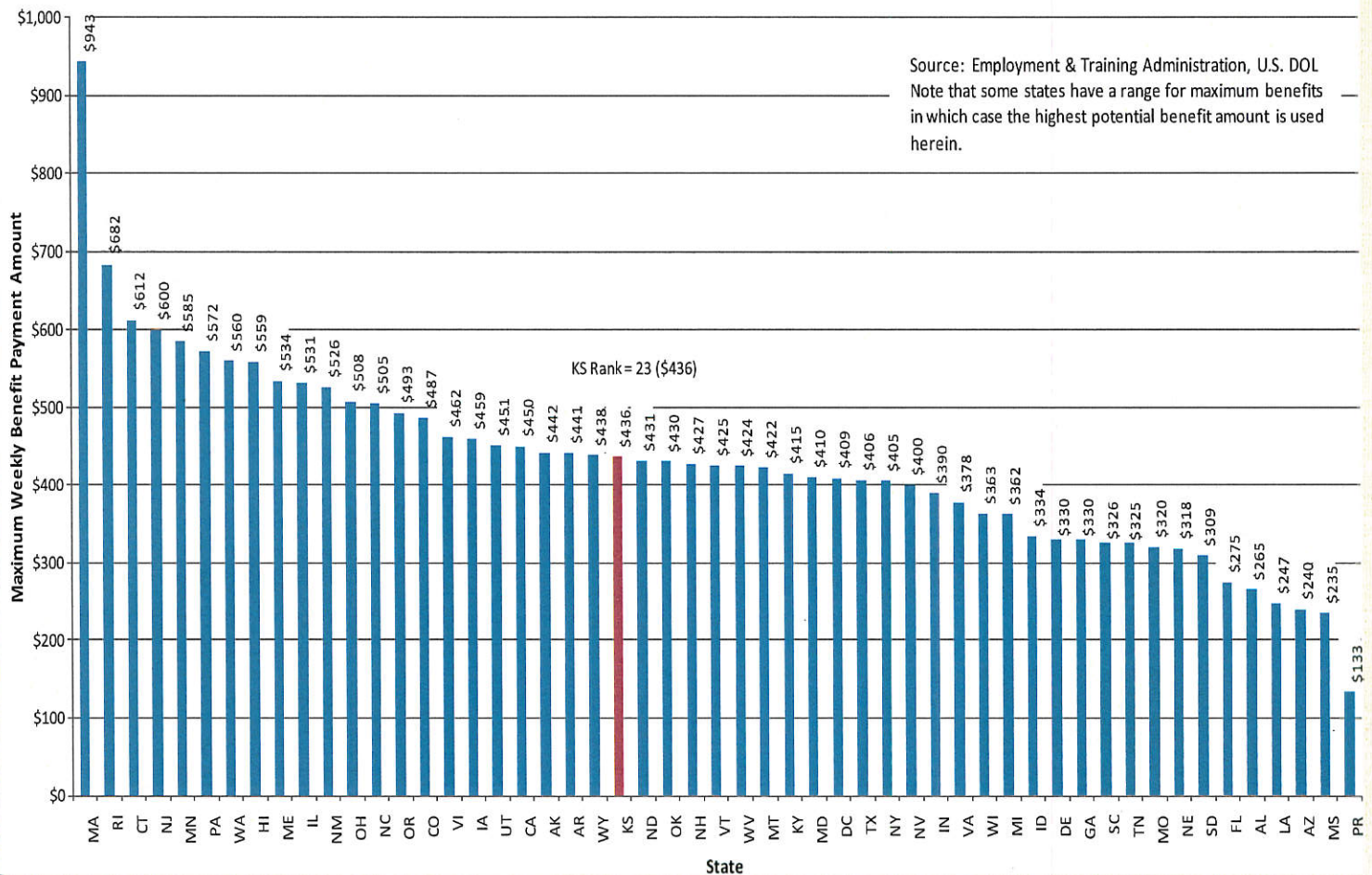
Date: 6/3/03/2011

Attachment #: 2-39

Comparing Benefits Statistics

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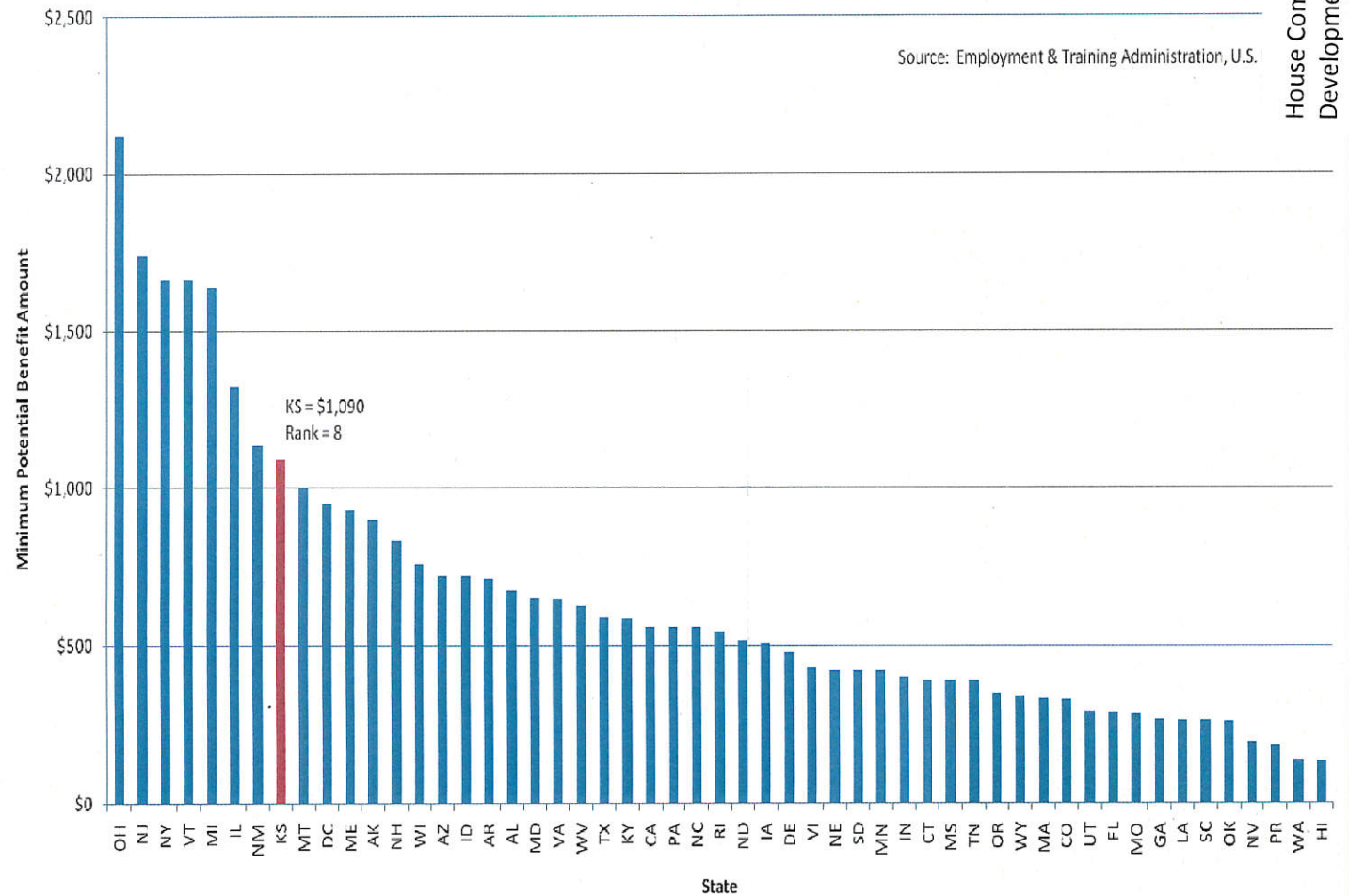
Maximum Weekly Benefit Payment Amount
2010



Comparing Benefits Statistics

Minimum Potential Benefit Amount
2010

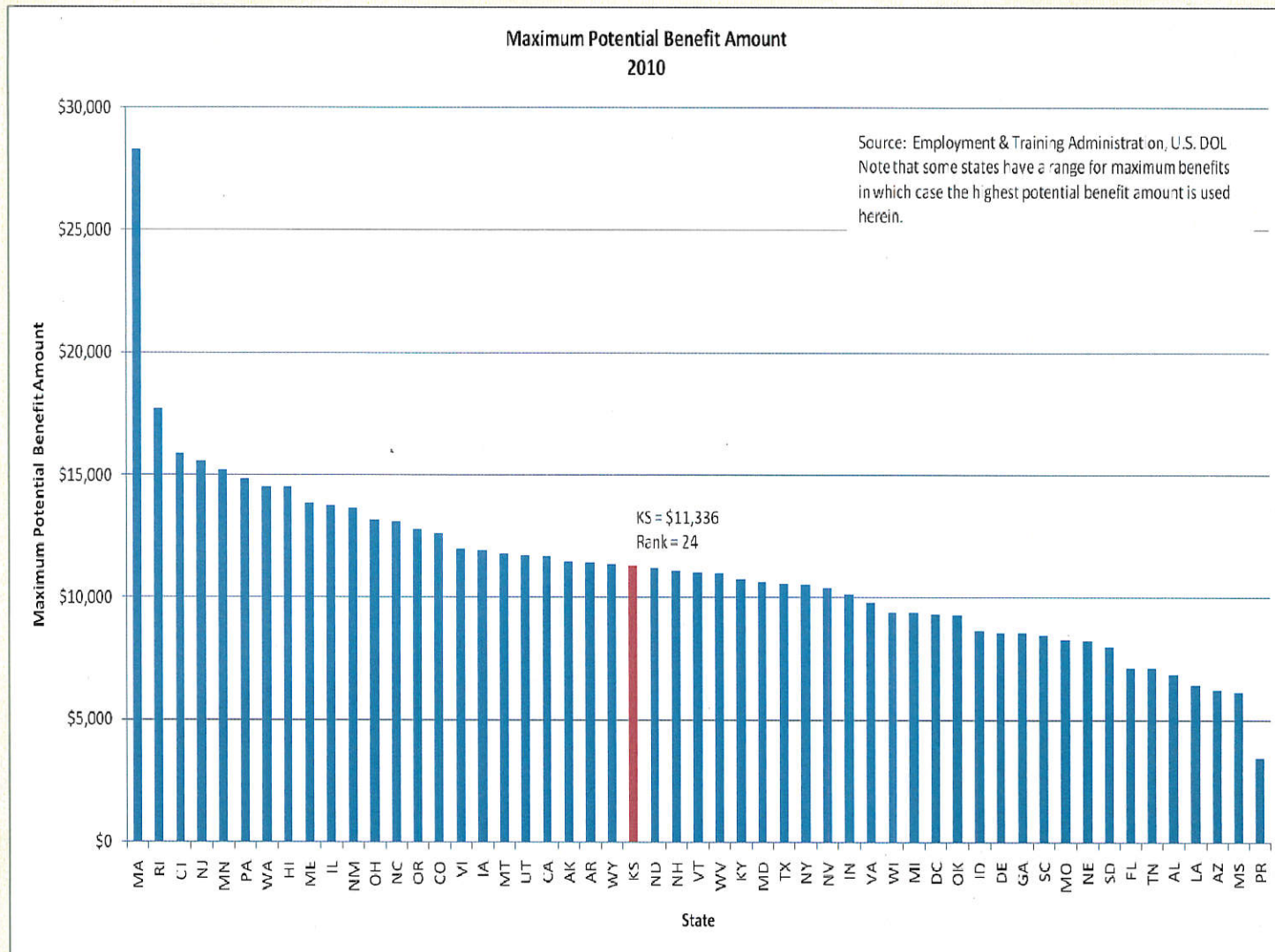
Source: Employment & Training Administration, U.S.



House Commerce & Economic
Development Committee
Date: 03/03/2011
Attachment #: 2-41

Comparing Benefits Statistics

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Available UI Benefits - Shared Work Program

- Qualifying employers may reduce the working hours of their employees, and those employees can collect unemployment insurance benefits for the remaining hours
 - Reduced operating costs for employers
 - Provides monetary support for furloughed employees
 - Save UI benefit costs by preventing layoffs
- To qualify for the Shared Work program, an employer must:
 - Submit a Shared Work application to KDOL
 - Have established an experience rating
 - Have a positive UI account balance
 - Be current on all UI tax payments and quarterly wage report filings
- Participation in the Shared Work Program has significantly increased during the recession:
 - 2007 – 40 employers
 - 2008 – 136 employers
 - 2009 – 509 employers
 - 2010 – 305 employers

Available UI Benefits - Shared Work Program

- To qualify for the Shared Work program, an employer must also:
 - Submit a plan that affects at least 10% of the employees in the affected work unit
 - Propose a minimum 20% reduction, but no more than a 40% reduction, in hours for each employee in the plan

Sample Shared Work UI Benefit Calculation:

Employee Earns - \$41,036.00/yr; \$789.15/wk

UI Weekly Benefit Amount - \$435.00

Weekly Wage with 20% reduction - \$631.32

Work Share payment @ 20% - \$87

Employee's Total Income for Week - \$718.32

-
- The employee must be able to establish a regular claim for benefits, based upon their last eighteen-month earnings to have benefits available under the Shared Work program

www.dol.ks.gov

Thank You

Questions?

Kansas Department of Labor
Karin Brownlee, Secretary
Kathie Sparks, Deputy Secretary
401 S.W. Topeka Blvd.
Topeka, KS 66603-3182
(785) 296-5000


KANSAS
DEPARTMENT OF LABOR

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