

## MINUTES OF THE SENATE COMMERCE COMMITTEE

The meeting was called to order by Chairperson Julia Lynn at 8:40 a.m. on Tuesday, February 03, 2015, 548-S of the Capitol.

All members were present except:

Senator Susan Wagle – Excused

Committee staff present:

Reed Holwegner, Legislative Research Department

Debbie Bartuccio, Kansas Legislative Committee Assistant

Edward Penner, Legislative Research Department

Chuck Reimer, Office of Revisor of Statutes

Conferees appearing before the Committee:

Justin McFarland, Deputy General Counsel, Kansas Department of Labor

Others in attendance:

[See Attached List](#)

### **Presentation on:**

Chairperson Lynn recognized Justin McFarland, Deputy General Counsel, Kansas Department of Labor, who made a presentation on an Introduction to the Kansas Unemployment Insurance Program, A Guide to Understanding the UI Trust Fund and Employer Tax Contributions. ([Attachment 1](#)) Mr. McFarland explained Unemployment Trust Fund moneys can only be used to pay benefits and principal loan payments, if any loans are taken out. The Trust Fund balance as of December 31, 2014 was \$209,989,726.

The presentation included information on the following topics:

- UI Trust Fund Balance and Loans
- Employer Tax Rates
- Recent Unemployment Insurance Legislative Changes
- Calculating UI Tax Rates
- Schedule III - Fund Control Ratio to Total Wages
- Tax Rate on Total and Taxable Wages
- Planned Yield
- Types of Employers
- Employer Tax Amount Determination
- Negative and Ineligible Employer Tax Rates
- 2015 Positive Balance Employer Tax Rates
- Positive Balance Employers
- 2015 Positive Balance Employer Tax Rates
- Yearly Schedule
- Sample Experience Rating Notice
- Trust Fund Solvency

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Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

## CONTINUATION SHEET

MINUTES of the Committee on Commerce at 8:40am on Tuesday, February 03, 2015, 548-S of the Capitol.

- Trust Fund Borrowing
- Interest on Trust Fund Loans
- FUTA Credit Reduction
- Avoidance of FUTA Credit Reduction
- FUTA Credit Reduction Cap

Concerning the information on the trust fund solvency, Senator Denning commented that point number three would be an anomaly due to the recession. Point number three stated that as of November 2014, the trust fund had enough money to pay benefits for four months at the highest average rate of payout in the last 20 years. Senator Denning then referred to the fourth point, which stated at FY 2014 wage levels, the trust fund would need \$649.6 million to be considered solvent. He commented this amount seemed high. Mr. McFarland responded the \$649 million would seem high historically, but it is the true measure of trust fund adequacy. Chairperson Lynn referred to the trust fund loan amounts and inquired as to the percent of interest that was charged for the loans. Mr. McFarland responded he would research the information for the Committee.

Senator Melcher referred to the second bullet point under the trust fund solvency information, which stated the fund is considered solvent and adequate if there is enough money to pay benefits for 12 months at the highest average rate of payout over the past 20 years. Senator Melcher inquired as to the rationale for this determination. Mr. McFarland responded the measurement is a federal guideline. Senator Melcher asked if the measurement included the contributions which came in during that 12 month period, and Mr. McFarland responded affirmatively.

Chairperson Lynn inquired as to what the history has been for Kansas concerning the FUTA credit reduction. Mr. McFarland responded Kansas has been able to avoid the FUTA credit reduction.

Chairperson Lynn stated Kansas now has an arrayed system which is unpredictable because the employer rates change every year. She said the Committee would be reviewing legislation concerning a fixed rate system which would give employers more predictability. In addition, the system must be designed to provide a level of confidence that the fund can perform when needed.

Senator Holland commented if the path is chosen to fund at less than what the federal government recommends, he would be interested in seeing what the risk exposures would be for employers and the State, should the State experience another recession. Secondly, Senator Holland said if the State moves to a fixed rate versus one with a graduated scale, he questioned the ability to hold employers accountable. He expressed a concern with a fixed system about shifting the burden of risk to the stable employers versus fly-by-nights or very volatile industries.

There were no other questions.

### **Possible bill introductions**

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Chairperson Lynn asked if there were any bill introductions and there were none.

Chairperson Lynn adjourned the meeting at 9:20 a.m. The next meeting is scheduled for February 4, 2015.