

# Introduction to the Kansas Unemployment Insurance Program:

## A Guide to Understanding the UI Trust Fund and Employer Tax Contributions

Presented by:  
Justin McFarland



KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.

## Unemployment Insurance Trust Fund



**UI Trust Fund monies can only be used to pay benefits and principal loan payment.**

**Trust Fund Balance as of 12/31/2014 = \$209,989,726**

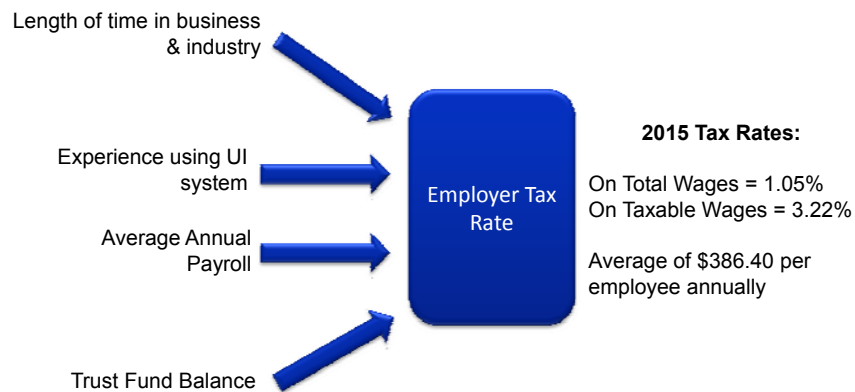
**Trust Fund Loans as of 12/31/2014 = \$0 (loans paid off on 9/18/2013)**

- Amount Borrowed from Federal Government in 2010 = \$88,159,421.40
- Amount Borrowed from Federal Government in 2011 = \$134,043,201.22
- Amount Borrowed from Federal Government in 2012 = \$78,667,407.56
- Amount Borrowed from Federal Government in 2013 = \$50,208,798.13
- Amount Paid to Federal Government in 2011 = \$159,155,840.19
- Amount Paid to Federal Government in 2012 = \$141,714,189.99
- Amount Paid to Federal Government in 2013 = \$50,208,798.13

KDOL serves Kansas workers and businesses by providing fair  
and efficient administration of state labor laws.



## Employer Tax Rates



KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Recent Unemployment Insurance Legislative Changes

- Reduced tax rates or Standard Tax rates – 2007 SB 83
  - In effect in 2007, 2008 & 2009
- House Bill 2676 / Senate Bill 77 – Reduced Rates for employers in calendar years (CY) 2010 - 2014
  - \$43 Million relief CY 2010
  - \$75.8 Million relief CY 2011
  - \$86.3 Million relief CY 2012
  - \$89.2 Million relief CY 2013
  - \$98.7 Million relief CY 2014
- House Bill 2576 (2014) – Provided additional 15 percent reduction for positive balance employers
  - Approximately \$42 million relief CY 2014

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



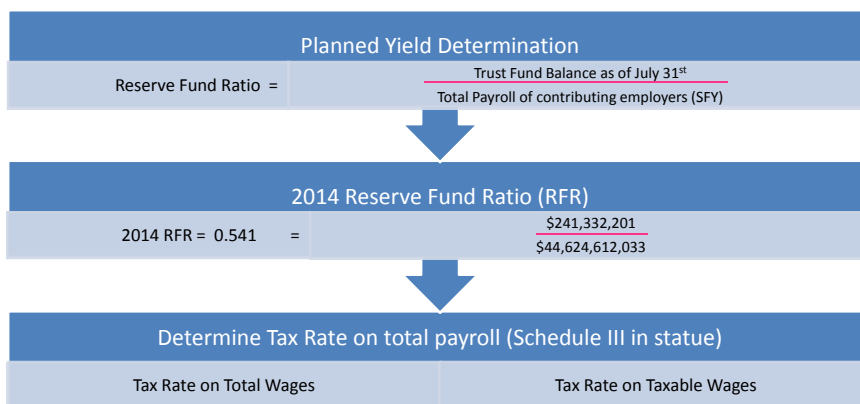
## Recent Unemployment Insurance Legislative Changes

- Senate Bill 77 (2011)
  - Establishment of an Employment Security Interest Assessment Fund
  - Reinstatement of the Waiting Week
  - Elimination of Benefit Eligibility for Relocating Spouses (Excluding Armed Forces)
  - Negative Balance Employer Rate Groups and Increase in Surcharge
  - Optional Withholding of State Taxes from Unemployment Compensation
- House Bill 2105 (2013)
  - Increase in taxable wage base to \$12,000 in CY 2015 and \$14,000 in CY 2016
  - Contribution rate for new non-construction employers lowered to 2.7 percent
  - Elimination of negative balance interest surcharge after CY 2014
  - Elimination of the alternative wage base period for calculating UI eligibility
  - Ties the maximum length of benefits to the unemployment rate

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Calculating UI Tax Rates



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

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## 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	2.300 but less than 2.350 ..... 0.54
4.475 but less than 4.500 .....	0.01	2.250 but less than 2.300 ..... 0.55
4.450 but less than 4.475 .....	0.02	2.200 but less than 2.250 ..... 0.56
4.425 but less than 4.450 .....	0.03	2.150 but less than 2.200 ..... 0.57
4.400 but less than 4.425 .....	0.04	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
		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

2014 RFR = 0.541

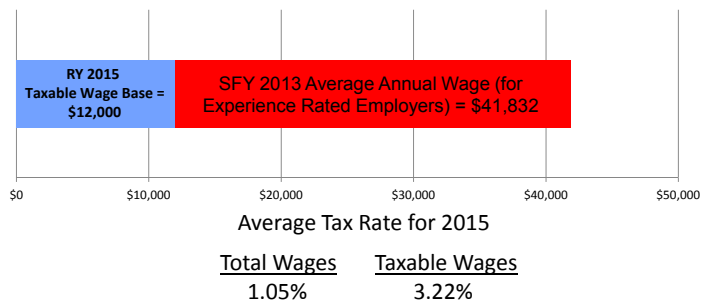
1.05% of total wages will provide the required yield

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Tax Rate on Total & Taxable Wages

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



KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Planned Yield

- Taxable Wages for Fiscal Year 2014 were \$9,687,553,860.
- Planned Yield is determined by multiplying the taxable wages by the rate.
- For Rate Year (RY) 2015, taxable wages were estimated due to the taxable wage base increasing from \$8,000 to \$12,000.
- The calculated Planned Yield for 2014 was \$467.9 million.
- This Planned Yield is collected from Kansas employers for deposit into the Unemployment Insurance Trust Fund to be used for UI benefit payments.

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Types of Employers

Tax rates are assigned in groups shown below:

### Ineligible Employers

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

- 6% - Construction / 2.7% - All Other Industries

### Negative Balance Employers

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

- 5.4 % plus surcharge (0.1% to 2%)

### Positive Balance Employers

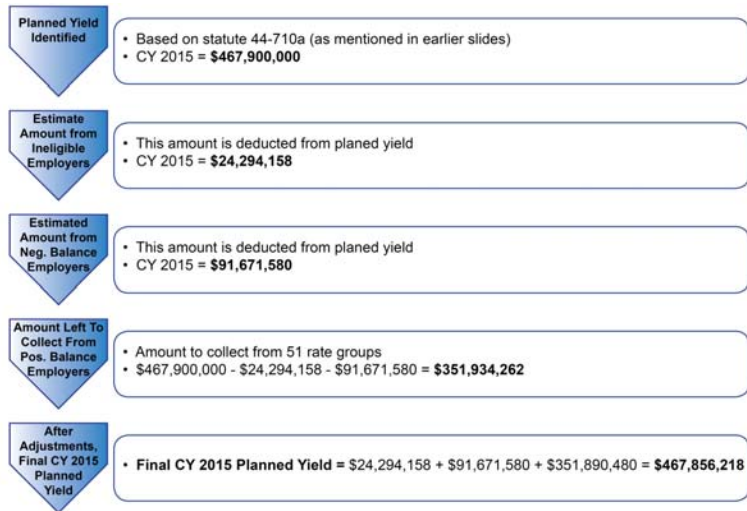
Employers who have paid more money in contributions than the amount of benefits charged against their account

- Arrayed into 51 rate groups
- 2015 Rates range from 0.07% to 5.4%
- Rates assigned to each group are volatile from year to year

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Employer Tax Amount Determination



KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Negative & Ineligible Employer Tax Rates

Ineligible Employers			
Employer Group	Contribution Rate	SFY 2014 Taxable Wages	Estimated Yield
Ineligible			
Construction Industry	6.0%	\$74,222,939	\$6,680,065
All Other Industries	2.7%	\$434,915,884	\$17,614,093
Total		\$509,138,823	\$24,294,158

Note: For RY 2014, there were 11,266 active ineligible accounts.

Negative Balance Employers			
Employer Group	Contribution Rate	SFY 2014 Taxable Wages	Estimated Yield
Negative Balance	5.5% - 7.4%	\$1,131,747,897	\$91,671,580

Note: For RY 2014, there were 6,372 active negative balance accounts.

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## 2015 Positive Balance Employer Tax Rates

Rate Group	SFY 2014 Taxable Wages	Contribution Rate	Estimated Yield	Rate Group	SFY 2014 Taxable Wages	Contribution Rate	Estimated Yield
1	\$157,383,562	0.07	\$165,253	27	\$157,323,151	3.08	\$7,268,330
2	\$156,488,755	0.12	\$281,680	28	\$159,974,874	3.20	\$7,678,794
3	\$157,023,786	0.24	\$565,286	29	\$158,471,015	3.32	\$7,891,857
4	\$156,936,181	0.36	\$847,455	30	\$154,828,278	3.43	\$7,965,915
5	\$158,202,732	0.47	\$1,115,329	31	\$153,931,698	3.55	\$8,196,863
6	\$155,676,418	0.59	\$1,377,736	32	\$157,973,522	3.67	\$8,696,442
7	\$159,270,270	0.71	\$1,696,228	33	\$155,826,572	3.79	\$8,858,741
8	\$154,815,628	0.83	\$1,927,455	34	\$157,005,131	3.91	\$9,208,351
9	\$156,967,017	0.95	\$2,236,780	35	\$157,035,014	4.03	\$9,492,767
10	\$156,620,630	1.07	\$2,513,761	36	\$157,858,702	4.15	\$9,826,704
11	\$157,034,720	1.18	\$2,779,515	37	\$155,907,202	4.26	\$9,962,470
12	\$270,968,471	1.30	\$5,283,885	38	\$156,985,372	4.38	\$10,313,939
13	\$42,889,690	1.42	\$913,550	39	\$221,086,064	4.50	\$14,923,309
14	\$157,191,436	1.54	\$3,631,122	40	\$92,758,151	4.62	\$6,428,140
15	\$159,485,828	1.66	\$3,971,197	41	\$158,281,550	4.74	\$11,253,818
16	\$221,019,940	1.78	\$5,901,232	42	\$162,409,043	4.86	\$11,839,619
17	\$90,201,641	1.90	\$2,570,747	43	\$151,853,908	4.97	\$11,320,709
18	\$168,980,923	2.01	\$5,094,775	44	\$155,275,324	5.09	\$11,855,271
19	\$196,586,990	2.13	\$6,280,954	45	\$156,858,686	5.21	\$12,258,506
20	\$105,137,824	2.25	\$3,548,402	46	\$156,992,313	5.33	\$12,551,535
21	\$157,356,550	2.37	\$5,594,025	47	\$157,233,218	5.40	\$12,735,891
22	\$157,302,811	2.49	\$5,875,260	48	\$156,544,997	5.40	\$12,680,145
23	\$156,108,454	2.61	\$6,111,646	49	\$157,205,270	5.40	\$12,733,627
24	\$176,053,892	2.72	\$7,182,999	50	\$157,605,907	5.40	\$12,766,078
25	\$142,954,694	2.84	\$6,089,870	51	\$159,093,744	5.40	\$12,886,593
26	\$151,800,076	2.96	\$6,739,923	Total	\$8,006,777,625		\$351,890,480

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Positive Balance Employers

- Positive balance employers arrayed across 51 rate groups.
  - Based on individual employer's reserve ratio.
    - Ratio of **employer's account balance** to employer's **average annual taxable 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 percent of taxable wages in each rate group).

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## 2015 Positive Balance Employer Tax Rates

Rate Group	SFY 2014 Taxable Wages	Contribution Rate	Estimated Yield	Rate Group	SFY 2014 Taxable Wages	Contribution Rate	Estimated Yield
1	\$157,383,562	0.07	\$165,253	27	\$157,323,151	3.08	\$7,268,330
2	\$156,488,755	0.12	\$281,680	28	\$159,974,874	3.20	\$7,678,794
3	\$157,023,786	0.24	\$565,286	29	\$158,471,015	3.32	\$7,891,857
4	\$156,936,181	0.36	\$847,455	30	\$154,828,278	3.43	\$7,965,915
5	\$158,202,732	0.47	\$1,115,329	31	\$153,931,698	3.55	\$8,196,863
6	\$155,676,418	0.59	\$1,377,736	32	\$157,973,522	3.67	\$8,696,442
7	\$159,270,270	0.71	\$1,696,228	33	\$155,826,572	3.79	\$8,858,741
8	\$154,815,628	0.83	\$1,927,455	34	\$157,005,131	3.91	\$9,208,351
9	\$156,967,017	0.95	\$2,236,780	35	\$157,035,014	4.03	\$9,492,767
10	\$156,620,630	1.07	\$2,513,761	36	\$157,858,702	4.15	\$9,826,704
11	\$157,034,720	1.18	\$2,779,515	37	\$155,907,202	4.26	\$9,962,470
12	\$270,968,471	1.30	\$5,283,885	38	\$156,985,372	4.38	\$10,313,939
13	\$42,889,690	1.42	\$913,550	39	\$221,086,064	4.50	\$14,923,309
14	\$157,191,436	1.54	\$3,631,122	40	\$92,758,151	4.62	\$6,428,140
15	\$159,485,828	1.66	\$3,971,197	41	\$158,281,550	4.74	\$11,253,818
16	\$221,019,940	1.78	\$5,901,232	42	\$162,409,043	4.86	\$11,839,619
17	\$90,201,641	1.90	\$2,570,747	43	\$151,853,908	4.97	\$11,320,709
18	\$168,980,923	2.01	\$5,094,775	44	\$155,275,324	5.09	\$11,855,271
19	\$196,586,990	2.13	\$6,280,954	45	\$156,858,686	5.21	\$12,258,506
20	\$105,137,824	2.25	\$3,548,402	46	\$156,992,313	5.33	\$12,551,535
21	\$157,356,550	2.37	\$5,594,025	47	\$157,233,218	5.40	\$12,735,891
22	\$157,302,811	2.49	\$5,875,260	48	\$156,544,997	5.40	\$12,680,145
23	\$156,108,454	2.61	\$6,111,646	49	\$157,205,270	5.40	\$12,733,627
24	\$176,053,892	2.72	\$7,182,999	50	\$157,605,907	5.40	\$12,766,078
25	\$142,954,694	2.84	\$6,089,870	51	\$159,093,744	5.40	\$12,886,593
26	\$151,800,076	2.96	\$6,739,923	Total	\$8,006,777,625		\$351,890,480

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Yearly Schedule

- Tax rate notices sent by November 30.
- 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.
  - 1<sup>st</sup> Quarter due April 30<sup>th</sup>
  - 2<sup>nd</sup> Quarter due July 31<sup>st</sup>
  - 3<sup>rd</sup> Quarter due October 31<sup>st</sup>
  - 4<sup>th</sup> Quarter due January 31<sup>st</sup>

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.





## Sample Experience Rating Notice

<b>KANSAS DEPARTMENT OF LABOR</b> www.dol.ks.gov 401 S.W. Topeka Boulevard Topeka, KS 66603-3182 (785) 296-5027		<b>2015 EXPERIENCE RATING NOTICE</b>  DATE MAILED: 11-12-2014 ACCOUNT NO: [REDACTED]	
[REDACTED]		2015 TAXABLE WAGE BASE 12,000.00	
	<u>CONTRIBUTIONS PAID</u>	<u>SBZZ PAID</u>	<u>BENEFITS CHARGED</u>
PRIOR YEARS THROUGH June 30, 2013	70,418,876.68	744,318.47	92,144,335.71
FOR FISCAL YEAR ENDED June 30, 2014	1,711,378.11	463,068.54	799,943.03
<b>TOTALS:</b>	<b>72,130,254.79</b>	<b>1,207,387.01</b>	<b>92,944,278.74</b>
ACCOUNT BALANCE IS:	-20,814,023.95	(Contributions Paid Less Benefits Charged SBZZ Payments Not Included)	
		Average of Taxable Payrolls Shown is: 30,776,377.80	
<b>RATE COMPUTATION</b>			
ACCOUNT BALANCE	÷	AVERAGE ANNUAL TAXABLE PAYROLL	=
-20,814,023.		30,776,377.	
		RESERVE RATIO	
		-67.630	
		RATE GROUP	
			YOUR CONTRIBUTION RATE FOR 2015 is 7.40 %
IF YOU HAVE ANY QUESTIONS REGARDING YOUR 2015 CONTRIBUTION RATE SHOWN ABOVE OR THE VOLUNTARY CONTRIBUTION COMPUTATION SHOWN BELOW, CONTACT: [REDACTED]			

KDOL serves Kansas workers and businesses by providing fair  
and efficient administration of state labor laws.



## Trust Fund Solvency

- Each November, KDOL certifies the solvency and adequacy of the UI Trust Fund.
- 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.
- 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.
- At FY 2014 wage levels, the trust fund would need \$649.6 million to be considered solvent.

KDOL serves Kansas workers and businesses by providing fair  
and efficient administration of state labor laws.



## Trust Fund Borrowing

- Kansas draws down all available funds from its 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.
- Advances from the Federal Government were obtained February 2010 – April 2010, January 2011 – April 2011, October 2011 – April 2012, and January – April 2013.
- In order to reduce the amount of interest paid on these advances, payments on the principle amount of loans were made in October and November 2011, May 2012, and June and September 2013.
- In May 2012 and September 2013, payments were made on the federal loans in their entirety.
- Kansas currently does not have any outstanding federal loans.
- Kansas borrowed \$40 million on Oct. 1, 2012 from the state Pooled Money Investment Board (PMIB) that is not reflected in the federal loan listing. This money was paid back on June 14, 2013. Funds were borrowed from this source for the following reasons:
  - Kansas avoided the FUTA reduction due to having a zero loan balance on Nov. 10, 2012.
  - The state avoided interest charges by having loans paid off by Sept. 30 and not borrowing for the rest of the calendar year.

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Interest on Trust Fund Loans

- Through ARRA, Trust Fund loans were 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 the 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 Trust Fund – 3304(a)17 FUTA.
- Reed Act funds cannot be used to pay interest as they reside in the fund.
- Kansas currently has no outstanding interest payments.

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## FUTA Credit Reduction

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

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## 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 the amount of FUTA credits employers would lose;
- Repaying any advances received during the one-year period ending Nov. 9 that year; and
- Not borrowing from Nov. 1 of the tax year through Jan. 31 the following year.

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## 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 average tax on total wages exceed five-year benefit cost rate on total wages;
  - Loan balance not greater than balance three years earlier.
- A state who qualifies for a cap will have their credit reduction set at the greater of 0.6 percent or the prior year's level.
- If the state qualifies for a cap, that year is not counted in the number of consecutive Jan. 1's.

KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.



## Questions



KDOL serves Kansas workers and businesses by providing fair and efficient administration of state labor laws.

