

M I N U T E S

SPECIAL COMMITTEE ON SELECTED STUDIES - HOUSE

August 19 and 20, 1976

Room 510-S -- State House

Members Present

Representative Lynn Whiteside, Chairman  
Representative Pascal Roniger, Vice-Chairman  
Representative Mike Glover  
Representative Rex Hoy  
Representative Jim Lowther  
Representative Donald Mainey  
Representative William Reardon  
Representative Frank Smith  
Representative Robert Whittaker

Staff Present

Myrta Anderson, Kansas Legislative Research Department  
Mike Heim, Kansas Legislative Research Department  
Ramon Powers, Kansas Legislative Research Department  
Donald L. Jacka, Jr., Kansas Legislative Research Department  
Mary Ann Torrence, Revisor of Statutes Office

Others Present

Lyle Phillips, Department of Human Resources  
James McCain, Department of Human Resources  
Karl Losey, Department of Human Resources  
Bill Clawson, Department of Human Resources  
Cliff Mudge, Department of Human Resources  
E. W. Maxwell, Department of Human Resources  
Jack Pearson, Kansas Association of Commerce and Industry  
William Douglass, League of Kansas Municipalities  
Marlin White, Employment Security Board of Review  
George Trombold, Employment Security Board of Review  
Cora Hobbie, Employment Security Board of Review  
James McClure, International Cold Storage, Inc., Andover  
Earl Brown, Department of Human Resources  
Ralph Edmonds, Department of Human Resources  
Harley Holmes, Department of Human Resources  
Steve Howie, Department of Human Resources  
Dean Peer, Department of Human Resources

August 19, 1976

Morning Session

The Committee was called to order by the Chairman, Representative Lynn Whiteside shortly after 10:00 a.m.

Representative Whittaker made a motion to approve the minutes as corrected. The motion was seconded by Representative Reardon. After some discussion, the motion carried.

The Chairman introduced Dr. James McCain, Secretary of the Department of Human Resources. Dr. McCain noted that the Department of Human Resources' Employment Division has an Advisory Council composed of four members of labor, four members representing management, and four members representing the general public. He explained that traditionally this group has met prior to the legislative sessions to formulate recommendations for the improvement of the employment compensation law. He said that during the past year he has received a number of suggestions for the improvement of the employment compensation law. He noted this Advisory Council will be meeting in September to review a number of these suggestions.

Dr. McCain explained that there was a major shift in the emphasis of the administration of the unemployment compensation law due to the high unemployment rates during the past several years. Forty-two personnel were shifted from their jobs of quality control in the area of unemployment compensation to the area of actually handling claims of persons unemployed. Due to the low unemployment rates in recent months, Dr. McCain noted that these 42 persons have been shifted back to their jobs in the area of quality control to insure that persons who are not eligible to receive compensation will be denied benefits. In addition, he said his department has asked for 14 additional personnel to work in the area of quality control.

Mr. Bill Clawson, Chief of Benefits in the Division of Employment, distributed a number of forms that individuals who apply for unemployment compensation must fill out. Copies of these forms are on file in the Legislative Research Department. In response to a question, Mr. Clawson noted that a non-teacher employee may file for unemployment benefits. A Committee member said that he knew of a number of school cafeteria employees that had filed for unemployment benefits and have done this for a number of years. Mr. Clawson noted that the reasons a person quits a job are important and if the reasons do not establish good cause, the person would be denied benefits for a period of seven weeks. The reason has to be an immediate compelling personal situation in order for the individual to collect unemployment benefits without a waiting period of seven weeks.

Mr. Clawson reported that the only way a person could collect employment benefits if he had been fired without waiting for seven weeks was for reasons other than breach of duty. He noted that if a person was fired for gross misconduct he would not be eligible to collect benefits unless he went back to work and earned eight times his weekly benefit amount. Mr. Clawson explained that there is an in depth interview with an employee at the time of his initial claim. Following that interview the last employer of the individual is contacted.

The question was asked as to what happens when there is total disagreement between parties as to the facts of an individual case. Mr. Clawson noted that normally the employee knows most about the reasons why he has chosen to quit, and in a discharge situation normally the employer knows more of the facts concerning why the employee was fired. He said these are tough cases to handle administratively even through the appeal's stage.

Mr. Carl Losey, of the Employment Division, noted that during FY 1976 there were 115,000 unemployment claims filed. Of these, 55,000 claims involved non-monetary determinations. Moreover, of these 55,000 claims, 52.1 percent were disqualified.

A question was asked whether any consideration was given to the fact that the spouse of a claimant may be working. Mr. Clawson explained that unemployment compensation is an insurance program not based on need in any way, but rather is based on eligibility. In response to a question, he noted that as long as a person remained an officer of a corporation, the person would not be eligible to draw unemployment insurance. He explained that the maximum benefit duration of a regular employment compensation benefit program is 26 weeks. A person may be eligible for extended benefits for an additional 13 weeks. Mr. Losey noted that the average duration of a claim in the State of Kansas is about 12 weeks. In response to a question, Mr. Losey noted that in FY 1976 the rate of exhaustees ran about one-third of those who were drawing unemployment compensation benefits. He explained that this was a very high rate; normally only about 20 to 25 percent of those drawing unemployment benefits are exhaustees, i.e., those who had exhausted their regular unemployment benefits.

Dr. McCain stated that the department is subject to federal law and rules and regulations in the administration of the unemployment insurance program. He noted, however, that the state does not blindly accept every federal regulation. He said one

regulation was challenged last year and the state won that battle. In response to a question, Dr. McCain said that the Unemployment Compensation Board of Review is an independent board that hears contested unemployment compensation claims. It has no superior administrative authority. Appeals from Board of Review decisions are heard in the district court. In response to a question, Dr. McCain said that approximately 20 or 30 cases a year that are appealed to the district court result in a reversal of the decisions of the Board of Review.

Mr. James McClure, Vice-President of the International Cold Storage Company of Andover, was introduced. Mr. McClure explained that his company employs about 70 people in the Wichita area. He said he had two major concerns. One was the amount of tax dollars his firm is paying for unemployment compensation insurance; the second concern was that the unemployment insurance laws in the State of Kansas were detrimental to the society. He explained that his firm was paying the maximum unemployment compensation rate of 3.6 percent. He said his firm customarily employs unskilled labor at a starting wage of between \$2.80 and \$3.00 per hour and has a very high turnover rate.

Mr. McClure explained that the unskilled work that his firm offers attracts a number of young people in the lower economic scale. He said the work histories of these people are very erratic and that the major problem is with their absenteeism records. Mr. McClure thought that the American work ethic was disappearing and that many of the young people he deals with do not think they have to work for a living. He said the average employee earns about \$95 a week take-home pay and, if they are eligible for unemployment insurance, they can receive approximately \$65 or \$70 per week by drawing unemployment compensation. He said that with only a \$10 or \$20 difference these people think it is stupid to work for this amount of money. He said unemployment insurance is handed out to almost anyone that asks for it. He said the only way a person cannot collect unemployment insurance in Kansas is if he just quits coming to work.

Mr. McClure stated that he had a lady who sat on a ladder for a two-week period and refused to work. The company finally fired her and she was able to collect unemployment compensation benefits. He said another case involved a man who had retired from working and moved to Arkansas, and he collected benefits on his Kansas employment in that state. He said another person employed by his company tore up a \$4,000 truck and was fired and he was able to collect unemployment compensation benefits.

The Chairman asked Mr. McClure what specifically he would do to change the Kansas law. Mr. McClure said that he would amend the law to make it conform to the original concept of unemployment compensation insurance, i.e., being a temporary source of income for employees who are out of work.

Representative Whittaker passed out information that had been provided by Mr. Max McConoche, President of the Andover State Bank who was unable to attend the meeting. The handout showed the unemployment insurance rate of the Andover State Bank for the past several years. Representative Whittaker noted that, in his own optometric practice, he pays a 3.6 percent unemployment insurance rate and his firm has never had an unemployment insurance claim filed against it. Representative Whittaker recommended that the Committee consider the creation of a maximum rate increase and a minimum rate decrease that could be allowed against an employer in any particular year to avoid sharp fluctuations from year to year. He also suggested that employers with high layoff rates pay more than they are currently charged. He further suggested that consideration be given to increase the maximum tax rate from 3.6 percent to 4.5 percent.

After some discussion the Committee adjourned at 12:00 noon for lunch.

#### Afternoon Session

The meeting was called to order at 1:15 p.m., by the Chairman, Representative Whiteside. The Chairman asked Mr. Ernie Maxwell and Mr. Lyle Phillips of the Employment Division to comment on the statements made by Mr. McClure prior to lunch. Mr. Maxwell and Mr. Phillips both agreed that Mr. McClure was mistaken in some of the facts he presented.

Mr. George Trombold, a member of the Employment Division Board of Review, was introduced. Mr. Trombold reviewed the process used by the Board of Review to hear contested cases, explained some of the typical kind of cases that the Board of Review hears, and made several recommendations for the improvement of the process for the handling of unemployment compensation claims. A copy of Mr. Trombold's statement is attached to the minutes as Attachment No. I.

In reply to a question, Mr. Trombold noted that there are approximately 50 cases pending before the district court involving appeals from the Board of Review. Mr. Marlin White, attorney for the Board of Review, explained that there are approximately 65 cases heard in the district court each fiscal year that appeal decisions of the Board of Review. He added that approximately 10 percent of the referees' decisions are appealed to the Board of Review. He explained that approximately 70 percent of the appeals are made by employees and 30 percent of the appeals are made by employers. Most of the appeals by employers involve a contest of their tax rate. Mr. White explained that in approximately 5 percent of the cases heard by the Board of Review, attorneys are present to represent the parties involved.

In response to a question, Mr. Trombold noted that there were no figures available on how many employees or employers win cases. He said the Board has almost deliberately not kept score. In response to another question, Mr. Trombold stated that a number of employees are refused compensation because of a breach of duty problem.

The question was asked if there was any record of the number of people that work up to the time they qualify for unemployment insurance benefits and then quit and make application for benefits. Mrs. Cora Hobbble, a member of the Board of Review, said there were no such records. She noted that if an attempt was made to tighten up the law to the extent that these types of claims would be excluded, the law would also deny benefits for a number of people that actually deserve benefits. She said only a small number of people abuse the system.

Mr. Trombold agreed with Mrs. Hobbble's statement that only a small number of persons abuse the system, and any attempt to tighten up the law to exclude the cheaters would hurt those who actually deserve benefits.

A question was asked of Mr. Phillips if the complaint that a number of people work until they are eligible to draw benefits is often heard. Mr. Phillips said that this is not a typical complaint that his office receives. He explained that persons earning low wages are going to receive low benefits for a shorter duration of time. He noted that 50 percent of a states' average wage was the maximum benefit the person could draw until July 1 of this year. Now 60 percent of the state's average weekly wage is the maximum. He noted that a person's benefit amount is determined by multiplying 4 percent of his high quarter wages subject to the maximum and minimum benefit amounts contained in the law.

Mr. Maxwell then explained the process for determining the individual unemployment insurance tax rates for Kansas employers. He explained that there are approximately 4,000 employers in Kansas that are paying a zero rate and that there are approximately 20,000 employers paying the maximum rate of 3.6 percent. He noted that Kansas is collecting \$7,000,000 each year in interest on its unemployment insurance funds. Mr. Maxwell, in response to a question, noted that he had several unofficial recommendations for the improvement of the unemployment compensation law. He then recommended that the 3.6 percent maximum tax rate be eliminated and that the zero percentage rate be eliminated so as to require all employers to pay at least a minimum tax rate. He explained that the majority of the states have a higher tax rate than the 3.6 percent used in Kansas. Mr. Maxwell then distributed information showing the financial impact that H.R. 10210 would have on the State of Kansas, local governments in Kansas; and Kansas employers. Copies of that information are attached as Attachment II.

After some discussion, the Committee adjourned at 4:00 p.m.

August 20, 1976  
Morning Session

The Committee was called to order at 9:00 a.m. by the Chairman, Representative Whiteside. The Chairman explained to the Committee that the members would tour the Job

Service Office at 1309 Topeka Avenue and then proceed to the District Job Insurance Office at 1507 West 21st Street for a tour of that facility.

Mr. Steve Howie and Mr. Harley Holmes, at the Job Service Office, explained the procedures used at that office to help unemployed persons find jobs. Mr. Howie noted that the first thing an individual does when he arrives at the Job Service Center is to complete a work history form. After that he is asked to complete a job information request form. He is then asked to review a list of jobs that are available in this employment area. Mr. Howie noted that job information is updated daily. He said that the center handles approximately 15,000 job applicants per month.

The Committee then proceeded to the District Job Insurance Office where Mr. Ralph Edmonds and Mr. Dean Peer provided the Committee with a tour of that facility. In response to a question, Mr. Edmonds noted that if there is a definite recall date for a union member that has been layed off, they are not required to register for a job at the Job Service Center. If the recall date, however, is of considerable duration, they are then asked to register for a job at the Job Service Center. He explained that a lot of unions have their own placement services for their members. He noted that business agents in this area are good about reporting members that refuse to accept jobs.

In response to a question, Mr. Edmonds noted that his office handles more than 1,000 special unemployment assistance claims in some weeks. He explained that his district office sends itinerate representatives to other cities in this area to handle job insurance claims. Mr. Peer noted that the Topeka District Office handles approximately 4,500 claims per week. He said this compares to approximately 10,000 to 11,000 claims per week handled by the District Office in Kansas City, Kansas.

Following the tour of the facilities, the Committee agreed to submit a list of suggestions to the Employment Security Advisory Council for consideration at its meeting on September 8. Staff was directed to prepare a list of recommendations that had been made to the Committee by various conferees and by Committee members during the course of the meetings on unemployment compensation insurance.

Staff then distributed copies of a draft of the final report on value engineering. The Committee, after some discussion, agreed to meet on September 14 and 15 on the topic of rural revitalization. This meeting is to be in addition to the Committee meeting scheduled for September 23 and 24.\* After further discussion the Committee adjourned at 12:00 noon.

Prepared by Mike Heim

Approved by Committee on:

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(Date)

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\* Subsequently changed to September 22 and 23.

FUNCTION OF THE EMPLOYMENT SECURITY BOARD OF REVIEW

APPELLATE PROCEDURE

The appellate procedure for matters reaching the Board commences at the examiner level, which is the initial determination for both claimant and employer. An examiner generally arrives at his decision through written information furnished the agency by the claimant and employer, together with occasional telephone calls to either party in the event the examiner would be unable to make a correct decision without additional information.

If either party, claimant or employer, is aggrieved by the examiner's decision, this is appealed to the referee level. All parties are then duly notified of a hearing to be held by the referee and must receive at least five days prior notice. At the Referee's hearing testimony is taken under oath from both parties and a tape recording is made of all testimony. The referee then renders a written decision which is duly mailed to all interested parties.

If either party is aggrieved by the referee's decision, an appeal must be filed with the Board within 12 days from the date the referee's decision was mailed. Upon appeal to the Board, the tape of the referee's hearing is transcribed and a transcript of the testimony is mailed to the Board's members and its attorney.

In addition to the transcript, the Board is also furnished with copies of any exhibits introduced by either party, together with the referee's and examiner's determinations in the case. The transcripts are periodically mailed so that the Board members are able to have all of them read and examined prior to the time of their meeting. The Board presently meets twice a month, generally for one day, at which time the decisions are made on the pending cases. All cases appealed to the Board are discussed by the Board members prior to a vote being taken as to the decision in the matter.

In the fiscal year 1976, which ended July 1, 1976, 940 appeals were filed to the Board. The length of the transcripts of the various appeals vary a great deal as to size and amount of time necessary to fully analyze the problem. Short transcripts might be as small as 10 pages of various exhibits, testimony or agency records. However, hotly contested issues might very well encompass 60-80 pages of testimony in one case. The Board has kept time records of the past year which indicate that the average amount of time spent per case prior to the meetings on each appeal would be approximately 30-35 minutes. Presently in excess of 90% of appeals to the Board are being handled within 30 days of the time the appeal reaches the Board. This type of prompt action has been the Board's desire for some period of time, however, prior to the last approximately 4 months the Board did not have sufficient clerical help to facilitate this type of timely handling of appeal matters. Presently the clerical help is adequate to provide both claimant and employer

with prompt and timely handling of their appeals, to the Board.

Either party may appeal a decision of the Board to the District Court. This must be done within 12 days from the date of mailing of the Board's decision. There are presently approximately 50 Court appeals in various stages of appeal at the District Court level. This number has slightly increased over the past year due to the great number of decisions that have been handed down by the Board during fiscal 1976. From the various District Court appeals there are generally a few each year that are appealed to the Kansas Supreme Court. The Board's attorney handles all District and Supreme Court appeals, together with the writing of all decisions rendered by the Board.

For the fiscal year ended, July 1, 1976, records show 78% of the decisions handed down from District Court have affirmed the Board's decisions.

#### TYPES OF CASES HANDLED ON APPEAL

The Board's decisions generally are to establish if a claimant is eligible for benefits and if an employer's experience rating account should be charged for benefits paid certain claimants.

The question of eligibility for benefits is generally covered in K.S.A. 44-705. The main area of appeal tends to be from decisions involving whether claimants are able, available and making reasonable efforts to obtain employment.



## Types of Cases, cont'd.

In the area of being "able" to work, this frequently goes to the physical condition of the various claimants and on numerous occasions doctor's statements are utilized in arriving at the specific times wherein claimants may not be able to work. The question of being able to work also arises in various cases wherein the claimant may be of advanced years and there is a factual dispute as to his present ability in now handling the type of work he previously performed.

In the area of "available to work," some appeals on this issue go to the claimant's actual physical presence during any week of eligibility. An example would be a claimant who might be out of town on personal business for a few days during a week in which he claims benefits.

The majority of the cases, however, on eligibility issues concern a claimant's course of action most reasonably calculated to result in his re-employment. Problems in this area vary greatly. It is impossible to set any standard guidelines as to the number of contacts an individual must make to demonstrate he is attempting to find employment. The Board must take into consideration the general area in which the individual lives and the possibility of obtaining employment in that area. The number of job contacts necessary in an area such as Kansas City or Wichita should generally be more to make the claimant eligible than might be necessary if the individual lives in a rural area and had, in fact, been employed in the rural area. The Board must also consider the claimant's

job experience, training and prior earning abilities in arriving at this determination. A general policy of the Board has been that as the period of unemployment increases, the necessity to seek work over a broader area and possible lower wage scale also increases.

The Board of Review has found a number of cases in which job search evidence indicates a need for tightening reporting requirements and related records. Presently there is little or no evidence in a number of cases at the Board level of actual search for employment by individual claimants. We feel that the basic premise of Employment Security is the protection of individuals against being "involuntarily" unemployed. In order to ascertain if in fact unemployment remains "involuntary", it is necessary that additional evidence be supplied by the individual claimant in regard to his action in attempting to secure gainful employment.

The next broad area of claimant appeals in regard to the provisions of K.S.A. 44-706 is the area of disqualification for the establishment of benefits. This section disqualifies certain claimants regardless of their eligibility if they terminate their employment under certain circumstances or if they refuse suitable employment while drawing benefits. One of the problem areas in this portion of the law involves the situation wherein a claimant may be disqualified until he has earned at least 8 times the weekly benefit amount. The law provides that this be assessed against individuals terminating for domestic or family responsibility,

self-employment, retirement because of disability or old age, and if they terminate to attend school. A 1973 Kansas Supreme Court case has given some indication that the courts are not in full accord with this section of the law. The Federal UI District Office has also made some indication that they do not feel the Kansas law should contain this particular provision.

A better solution for this type of disqualification might possibly be to levy the period of disqualification provided in the remainder of the law with the added stipulation that a claimant must be eligible as provided by K.S.A. 44-705 during the period of time that they would serve the 6 weeks disqualification penalty. The effect of this would make it mandatory that they seek employment for a period of 7 weeks before they would be eligible to receive unemployment benefits. However if this change is made it should be accompanied by a strict enforcement of the Board's recommendation shown above in regard to the record of adequate search. The 7 weeks used in the law was arrived at by utilizing the average period of unemployment for all recipients. It would, therefore, appear that perhaps a majority of the individuals that might presently receive the 8 times disqualification would be gainfully employed before the 7 weeks of ineligibility had expired. It would appear that this section of the law is somewhat inequitable in that it penalizes individuals terminating for the aforesaid reasons in the very same it penalizes a person discharged by his employer for gross misconduct on the job. The majority of the cases coming to the Board under K.S.A. 44-706 involve the disqualification provisions contained in

Section (b) of the said statute. This calls upon the Board to make a factual determination from the evidence if a claimant has been discharged for breach of duty connected with his work and reasonably owed an employer. This area brings about a vast number of appeals from both claimants and employers in that the decision rendered will have direct effect on the employer's experience rating account. If a claimant is found to have been discharged for a breach of duty owed the employer, the claimant is disqualified for a total period of 7 weeks from receiving benefits. Also, any future benefits paid this claimant will not be charged to the employer's experience rating account. The term "breach of duty" is, of course, subject to a wide variety of definitions. The Board has attempted to formulate certain guidelines in this area and in doing so they have formulated their own definition of what might constitute breach of duty.

A breach of duty is an act or combination of acts or omissions that will result in a tangible disadvantage or detriment to an employer. These actions or omissions can establish a disregard on the part of the employee towards the employer's best interest if they tend to disrupt the maintenance of a continued business enterprise. A breach of duty must also include some element of intent on the part of the employee. Intent may, however, be inferred by the employee's own actions or inactions in complying with the general conditions of employment. All or a portion of this broad definition is utilized by the Board when faced with cases involving a breach of duty.

The majority of the split decisions, or 2-1 votes of the Board come from this area of the law in that on numerous occasions the evidence of claimant and employer will be vastly different. The Board, as a trier of fact, must, therefore, arrive at its decision by weighing the truth of each party's statement.

There is a small amount of cases that reach the Board in regard to the area of gross misconduct. Gross misconduct is seldom used unless the evidence indicates a crime to have been committed against the employer by the employee, or if the actions of the employee indicate a willful and wanton disregard of the employer's interests. This might come about where an employee deliberately did damage to equipment or merchandise belonging to his employer. The Board suggests no change in the present penalty for gross misconduct.

The provisions of K.S.A. 44-706 (c), being the refusal of an offer of suitable employment, come before the Board with some degree of frequency but do not generally constitute a problem area in arriving at decisions. The law in this area is well defined and evidence in these type of cases generally is not in dispute. The Board, therefore, must only apply the law to the evidence to arrive at its decision.

There are a few cases brought before the Board each year in regards to the provisions of K.S.A. 44-706 (d). Generally, however, when an appeal is made in regard to labor disputes it will involve a vast number of individual claimants and the Board's decision may have far-reaching effects. The remaining provisions of K.S.A. 44-706

seldom come before the Board.

Employer appeals to the Board are generally in regard to the non-charge provision of K.S.A. 44-710 (c). This provides that an employer's experience rating account will not be charged for benefits paid a claimant if the claimant was discharged for breach of duty, discharged for gross misconduct, or left work without good cause attributable to the employer. There are, of course, some of the provisions contained in K.S.A. 44-706 that would disqualify claimants to receive benefits for certain periods. Therefore, generally the decisions arrived at under K.S.A. 44-706 would control the findings as to K.S.A. 44-710 (c). The Board has utilized in rare instances a decision wherein a claimant is found to have terminated his employment for good personal cause but not with good cause attributable to the employment, which in essence would hold the claimant eligible for the receipt of benefits paid the claimant. The use of this is very limited to cases where justice and fairplay to all concerned could be best served in this manner.

The Board's comments in the forgoing paragraphs have addressed only those portions of the law with which it is specifically concerned. The Board believes that changes in the areas discussed should be seriously considered and it is available to assist further in such consideration.

Some questions have arisen with the Board as to the organizational placement of its quasi-judicial function. within the

Department of Human Resources. These concerns have been communicated to the Secretary of Human Resources and we understand will be given appropriate study in the near future.

Respectfully submitted

Employment Security Board of Review

George J. Trombold, Vice Chairman

Cora L. Hobbie, Member

August 19, 1976

I. Coverage and Employer Costs

	Present Law		Increase		Wages (Millions)		Employer Costs (Thousands)	
	Employed	Covered	Number	Per Cent	Total (ToW)	Taxable (TxW)	Amount	Rate
<u>Total Wage/Salary</u> .....	<u>834,000</u>	a/ <u>618,000</u>	<u>140,000</u>	<u>23</u>	<u>\$800</u>	---	<u>\$4,600</u>	---
Government.....	<u>146,000</u>	<u>19,200</u>	<u>125,000</u>		<u>750</u>	---	<u>4,000</u>	
State.....	44,000	18,600	25,000		250	---	1,000	0.4% ToW
Local.....	102,000	600	100,000		500	---	3,000	0.6% ToW
Hired Farm.....	16,000	0	8,000		40	20	420	2.1% TxW
Domestic.....	17,000	0	5,000		10	5	120	2.3% TxW
Nonprofit Elementary and Secondary Schools.....	2,700	0	2,000		10	---	60	0.6% ToW

a/ Kansas Employment Security Law; additional coverages of 15,000 Railroad and 26,000 UCFE (Federal government) increases total coverage to about 660,000 or 79 per cent. The 140,000 added by the amendments would bring the total to about 800,000 or 96 per cent covered.

*Attachment II*



## II. Benefit Costs

An estimated increase of about eight per cent, \$5 million at the record high of CY 1975:

	<u>Present Law</u>	<u>Increase</u>
Regular Benefits.....	\$60,100,000	
Extended Benefits.....	9,400,000	
Kansas Cost.....	4,700,000	
Total Kansas Cost.....	<u>\$64,800,000</u>	\$5,000,000
Ratio to Total Wages.....	1.2%	0.1%

Most of the added benefit costs (80 per cent or more) would be reimbursable costs of state and local government shown above.

It is not expected that the modifications of the trigger mechanism would make any significant change in Kansas' extended benefits. It should be noted; however, that the costs of any extended benefits to state and local government workers would have to be borne 100 per cent (rather than 50-50 state-federal) by Kansas.

## III. Financing

The increase in taxable wage base from \$4,200 to \$6,000 will result in a maximum increase in taxable wages of 43 per cent, an average increase for Kansas employers of about 25 per cent.

The increase in FUTA rate from 3.2 to 3.4 per cent (net 0.5 to 0.7 per cent) is an increase of 40 per cent.

Combined, the FUTA tax will increase 100 per cent at the maximum (employers paying all workers \$6,000 or more annually), about 75 per cent at the average.

At CY 1975 wage levels the amended provisions would have added \$9 million to FUTA taxes paid by Kansas employers -- \$5 million from the increase in rate (change in base alone would have added \$3 million):

### Wages

Total	
All Employers.....	\$5,428,000,000
Contributing Employers.	5,114,000,000
Taxable	
\$4,200.....	2,440,000,000
6,000 (est.).....	3,050,000,000

FUTA Taxes

Present (\$4,200 @ 0.5)....	\$12,200,000
Amended (\$6,000 @ 0.7)....	21,400,000
Increase	
Amount.....	9,200,000
Per Cent.....	75

IV. Administrative

The increase in coverage of about 25 per cent, additional benefit payments of eight per cent, might add \$1 million to the present costs of about \$4.5 million annually for administration of the Kansas unemployment insurance program. The subject legislation denies reimbursement for administrative expenses and extended benefits (noted above) related to state and local government. An additional source of revenue -- from state and local government or general revenue -- may be required.

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