

MINUTES OF THE SENATE COMMITTEE ON LABOR, INDUSTRY AND TOURISM

The meeting was called to order by Sen. Bill Morris at  
Chairperson

1:30 ~~am~~/p.m. on January 17, 1983 in room 529-S of the Capitol.

All members were present ~~except~~.

Committee staff present:

Mark Burghart, Research Department  
Ben Barrett, Research Department  
Julian Efird, Research Department  
Bruce Kinzie, Revisors Office  
Louise Cunningham, Secretary  
Conferees appearing before the committee:

Dr. Harvey Ludwick, Secretary, Department of Human Resources  
Mr. Arnold Berman, Attorney, Department of Human Resources  
Mr. Bryce Moore, Workers' Compensation, Department of Human Resources

Chairman Morris welcomed members back for the new session and introduced the two new members of the Committee, Sen. Francis Gordon and Sen. Bert Chaney.

Dr. Harvey Ludwick gave a presentation to the Committee on the current and future financial status of the Employment Security Fund. (See Attachment 1.)

Dr. Ludwick said the present balance in the Fund was \$124 million and had three tables to show:

1. The most pessimistic projection for the Fund which assumes projected outlays will continue at the same rate currently anticipated to occur during 1983.
2. Projections based on the current unemployment rate of 6.1% with the payout rate remaining constant.
3. The most optimistic projection with a declining rate to 5% unemployment.

Dr. Ludwick said at the current rate the funds would run out by December '83. He said the Advisory Council was to meet on Wednesday, January 19 to consider alternative solutions to the problem.

The members of the Advisory Council are made up of four members representing business, four members representing labor and four members representing the public. The members are:

Employee Representatives:

Alan Dollen, Topeka	Ralph McGee, Topeka
Ed Fallon, Topeka	Wayne Maichel, Topeka

Employer Representatives:

Tom Slattery, Topeka	Carl Nordstrom, Topeka
Dan C. McClenny, Emporia	Rob Hodges, Topeka

Public Representatives:

Virginia Visser, Emporia	Dr. Charles Colbert, Emporia
Frank Carlson, Concordia	Dr. David Dilts, Manhattan

Sen. Morris said that companies such as Beech Aircraft and other major employers had made sizeable reductions in their work force but were now slowly recalling employees. Also, after a person has collected for 26 weeks plus extended benefits why would this large payout continue, since they would no longer be entitled to draw benefits? Dr. Ludwick said many employers are laying off for brief periods of time. It keeps the work force available, keeps them earning wages and allows unemployment benefits. It is good for the

(over)

people and good for the state, but it does draw down on the Fund.

Mr. Berman said that thousands of workers were engaged in cyclical employment. The construction trades would be one example. Personnel would be rehired during the building season and would requalify for benefits.

Last year the Legislature placed a surcharge on negative account employers. While an additional \$1 million was paid into the Fund the problem is much bigger than that. A member asked about lowering payouts. Mr. Berman said the Advisory Committee would be meeting next week and would have recommendations for the Committee.

Chairman Morris questioned the figures on the projections for unemployment.

Mr. Bryce Moore, Workers' Compensation, said they had no major proposals for this year. There would be a few minor proposals later this year. Their program is working effectively and accidents were down last year.

Meeting was adjourned.

SENATE LABOR, INDUSTRY & TOURISM COMMITTEE

Date 1-17 Place 529-8 Time 1:30

GUEST LIST

NAME

ADDRESS

ORGANIZATION

<u>NAME</u>	<u>ADDRESS</u>	<u>ORGANIZATION</u>
Jeff Sharp Dan Ramlow		Sen. Steineger Ks. Contractors Assn.
Ron Cochran		KACI
Michael [unclear]		Am Ins. Ass'n
Tom [unclear]		Post Audit.
DVD GRANT		KACI
Rob Helen		KACI
DAN MORGAN		AGC of Ks
Wes Shufey		KCK Chamber of Comm.
Bill Moulsey		Pivof Work Camp
Brown		" "
Ralph McGee		Ks. AFL-CIO
Steve Goodman		Dept. Human Resources
Wayne [unclear]		Kans. AFL-CIO
Harry D. Helzer		" "
Pat Kelly		UPA

TESTIMONY OF THE KANSAS DEPARTMENT  
OF HUMAN RESOURCES BEFORE THE SENATE  
LABOR AND INDUSTRY COMMITTEE, JANUARY 17, 1983

Mr. Chairman and members of the Senate Labor and Industry Committee, we appear before you today in response to your request for information on the current and future financial status of the Employment Security Fund.

As can be seen below, rising unemployment in Kansas, a trend paralleling the national experience, has badly depleted the fund:

	<u>Calendar Year</u>		
	<u>1980</u>	<u>1981</u>	<u>1982</u>
Average unemployment rate	3.9%	3.7%	5.5%
Amount of benefit payments	\$117.7m	\$112.3m	\$217.8m
Amount of contributions	\$ 82.0m	\$ 83.9m	\$108.0m
Reserve fund balance	\$218.8m	\$220.9m	\$135.1m

*Dec 30*

At the present time the Fund balance is estimated at \$124 million.

We have attempted to forecast the status of the Fund over the next eighteen months for three different sets of economic assumptions. In each instance we assume, however, that no legislative action is taken to alter the current financial structure of the Fund, i.e., the current law is effective with the exception of an increase in the taxable wage base from \$6,000 to \$7,000, beginning January 1, 1983. The forecasts further assume that, as required by law, the maximum benefits will increase on July 1, 1983, from the current \$163.00 per week to approximately \$175.00 per week; and the average benefits paid will increase from \$124.00 to \$130.00 per week.

The attached Table 1 represents the most pessimistic projection. The figures are based upon a three-year historical time series of monthly payouts for calendar years 1980, 1981 and 1982. It further assumes projected outlays will continue at the same rate currently anticipated to occur during 1983,

*Atch. 1*

based upon national and state projections of unemployment. You will note that unemployment is projected to rise to an average rate of 6.3% and Fund revenues will increase to \$127 million during calendar year 1983. Based on these projections, the Fund will be fully depleted by November, 1983, and could reach a negative balance of \$140 million by June, 1984.

Table 2 presents projections based on the current unemployment rate of 6.1%, and the payout rate remaining constant. Under these assumptions, the Fund will be fully depleted by December, 1983, and would reach a negative balance of over \$100 million by June, 1984.

Table 3 shows the most optimistic projections. It is based on the average Kansas unemployment rate for calendar year 1983 declining to 5.0%. Even under this "best case" situation the Fund is forecast to be fully depleted by February, 1984, and will reach a negative balance of over \$30 million by June, 1984.

To summarize, Mr. Chairman, all of our projections suggest that the Employment Security Fund will be fully depleted long before the end of fiscal year 1984, in the absence of additional revenues being paid into the Fund in a timely manner. While we recognize it is small comfort to point this out, it must be noted that the Kansas experience is by no means unique. The faltering national economy has already resulted in the employment security funds of almost half the states going broke with the concomitant result of these states being required to borrow billions of dollars from the federal government to meet their obligations.

Mr. Chairman, we now stand ready to respond to any questions you and the members of your committee may have.

Table 1  
 Estimated Payments, Income, Beneficiaries, and Balance of the Reserve Fund  
 Least Favorable Unemployment Rate 1/

<u>Month</u>	<u>Beneficiaries</u>	<u>Payments</u>	<u>Income 2/</u>	<u>Balance</u>
January, 1983 . . . . .	50,000	\$23,300,000	\$10,000,000	\$121,300,000
February. . . . .	50,000	23,400,000	3,700,000	101,600,000
March . . . . .	53,000	24,700,000		76,900,000
April . . . . .	51,000	24,000,000	61,600,000	114,500,000
May . . . . .	48,000	22,500,000	2,100,000	94,100,000
June. . . . .	55,000	25,900,000		68,200,000
July. . . . .	55,000	26,800,000	33,300,000	74,700,000
August. . . . .	52,000	25,500,000	1,600,000	50,800,000
September . . . . .	56,000	27,200,000		23,600,000
October . . . . .	52,000	25,300,000	18,100,000	16,400,000
November. . . . .	49,000	23,900,000	900,000	-6,600,000
December. . . . .	67,000	32,700,000		-39,300,000
January, 1984 . . . . .	70,000	34,100,000	14,000,000	-59,400,000
February. . . . .	70,000	34,300,000		-93,700,000
March . . . . .	74,000	36,200,000		-129,900,000
April . . . . .	72,000	35,200,000	96,000,000	-69,100,000
May . . . . .	68,000	33,000,000		-102,100,000
June. . . . .	78,000	38,000,000		-140,100,000

1/ The unemployment rate for this table is based on current unemployment changing at the average rate for the last three years or 6.3 per cent.

2/ The income shown in the first month of each calendar quarter is contributions. These figures are based on the calculated required contributions for 1983 with an additional amount added due to the wage base changing from \$6,000 to \$7,000. The income shown in the second month is interest. The annual interest earned on the reserve fund is 11 per cent. This percentage was applied to the average balance for each quarter and the result divided by four (4) to obtain the quarterly interest.

Table 2  
 Estimated Payments, Income, Beneficiaries, and Balance of the Reserve Fund  
 Moderate Unemployment Rate 1/

<u>Month</u>	<u>Beneficiaries</u>	<u>Payments</u>	<u>Income 2/</u>	<u>Balance</u>
January, 1983 . . . . .	50,000	\$23,300,000	\$10,000,000	\$121,300,000
February. . . . .	47,000	21,900,000	3,700,000	103,100,000
March . . . . .	50,000	23,300,000		79,800,000
April . . . . .	48,000	22,400,000	61,600,000	119,000,000
May . . . . .	45,000	21,000,000	2,700,000	100,700,000
June. . . . .	52,000	24,200,000		76,500,000
July. . . . .	52,000	25,000,000	33,300,000	84,800,000
August. . . . .	49,000	23,600,000	2,500,000	63,700,000
September . . . . .	53,000	25,500,000		38,200,000
October . . . . .	49,000	23,600,000	18,100,000	32,700,000
November. . . . .	46,000	22,100,000	1,500,000	12,100,000
December. . . . .	63,000	30,300,000		-18,200,000
January, 1984 . . . . .	66,000	31,600,000	14,000,000	-35,800,000
February. . . . .	66,000	31,700,000		-67,500,000
March . . . . .	70,000	33,600,000		-101,100,000
April . . . . .	68,000	32,700,000	96,000,000	-37,800,000
May . . . . .	64,000	30,700,000		-68,500,000
June. . . . .	73,000	35,000,000		-103,500,000

1/ The payment figures for this table are based on the average employment rate for the calendar year 1983 being the same as its current level, 6.1 per cent.

2/ Same as Table 1.

Kansas Department of Human Resources  
 Research and Analysis Section  
 Division of Staff Services  
 January 1983

Table 3  
 Estimated Payments, Income, Beneficiaries, and Balance of the Reserve Fund  
 Most Favorable Unemployment Rate 1/

<u>Month</u>	<u>Beneficiaries</u>	<u>Payments</u>	<u>Income 2/</u>	<u>Balance</u>
January, 1983 . . . . .	50,000	\$23,300,000	\$10,000,000	\$121,300,000
February. . . . .	47,000	21,900,000	3,700,000	103,100,000
March . . . . .	50,000	23,300,000		79,800,000
April . . . . .	41,000	19,000,000	61,600,000	122,400,000
May . . . . .	38,000	17,900,000	2,700,000	107,200,000
June. . . . .	44,000	20,600,000		86,600,000
July. . . . .	43,000	20,800,000	33,300,000	99,100,000
August. . . . .	41,000	19,600,000	2,900,000	82,400,000
September . . . . .	44,000	21,200,000		61,200,000
October . . . . .	40,000	19,100,000	18,100,000	60,200,000
November. . . . .	37,000	17,900,000	2,200,000	44,500,000
December. . . . .	53,000	25,100,000		19,400,000
January, 1984 . . . . .	55,000	26,200,000	14,000,000	7,200,000
February. . . . .	55,000	26,200,000	1,100,000	-17,900,000
March . . . . .	58,000	27,600,000		-45,500,000
April . . . . .	56,000	26,600,000	96,000,000	-23,900,000
May . . . . .	55,000	26,100,000		-2,200,000
June. . . . .	62,000	29,400,000		-31,600,000

1/ The payment figures for this table are based on the average employment rate for the calendar year 1983 declining to approximately 5.0 per cent.

2/ Same as Table 1.

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