

MINUTES OF THE House COMMITTEE ON Labor and Industry

The meeting was called to order by Representative Lawrence Wilbert at  
Chairperson

9:00 a.m./~~pm~~ on January 24, 1984 in room 526-S of the Capitol.

All members were present except:

Rep. R.D. Miller/excused

Committee staff present:

All present.

Conferees appearing before the committee:

Mr. Rob Hodges, KACI  
Mr. Steve Goodman, Dept. of Human Resources  
Mr. Bill Layes, Dept. of Human Resources  
Mr. Robert Lueker, Dept. of Human Resources

Vice-Chairman Wilbert called the meeting to order.

The first speaker on H.B. 2629 was Rob Hodges, who passed out handout #1 to the committee members. Mr. Hodges went over in detail this hand-out with the committee. He also reported that the Advisory Counsel did look at several alternatives. A question and answer period followed.

Mr. Steve Goodman then took the speakers stand and gave a short explanation of what Mr. Bill Layes was going to present to the committee. Mr. Layes took the speakers stand and went over handout #2 with the committee. A discussion period followed.

The next speaker was Mr. Bob Lueker with handout #3. He went over the handout with the committee.

The committee members were also given handout #4 which is additional testimony on H.B. 2653 by Representative Rochelle Chronister. This bill will be taken up at a later date by the committee.

Vice-Chairman Wilbert adjourned the meeting at 10:00 a.m.

# Labor & Industry

1-24-84

## Visitors

NAME		Representing
Rob Hayes	Topeka	KACI
Ralph McGee	"	RS-AFL-CIO
Harvey D. Hilsen	"	"
Wayne Muehl	"	"
Bill Abbott	Wichita	Boeing
Marsha Hutchison	Wichita	Beech
ROBT. LUEKER	TOPEKA	DHIR
PAT SCHAFER	"	BUDGET
Steve Goodman	"	Dept. Human Resources
Bill Laves	"	" " "
RICK HEFLEY	"	" " "



1983 Legislative Changes in the Kansas Unemployment Compensation System

The 1983 session of the Kansas Legislature enacted legislation which resulted in several changes in the Employment Security Law. Those changes affect both the level of employer contributions to, and benefit payments from, the Employment Security Trust Fund. Significant changes are described below.

1. The fund control schedule was revised to produce an increase in contributions (taxes) to the Fund.
2. The wage base on which employer contributions (taxes) are collected was changed from \$6,000 up to \$7,000 to conform with changes in federal law.
3. The maximum employer contribution (tax) rate was increased from 4.3% up to 5.4%
4. All negative account balance employers are now required to pay contributions (taxes) at the maximum rate of 5.4%. Further, negative balance employers pay a surcharge ranging from .1% up to 1.0%, depending on the size of their negative balance.
5. The contribution (tax) rates assigned to new employers were increased by 1%.
6. A 20% surcharge was assessed against all Kansas contributing employers for CY 1983. The same 20% surcharge can be assessed in CY 1984 if the balance in the Employment Security Trust Fund is less than \$80 million on April 30, 1984, as determined by the Secretary of Human Resources.
7. The Secretary of Human Resources is authorized to impose additional surcharges under certain circumstances. Any such additional surcharge would be based on the balance in the Employment Security Trust Fund falling below \$35 million.
8. The state's maximum weekly benefit amount for FY 1984 (beginning July 1, 1983) was frozen at the FY 1983 level (\$163). The freeze can remain in effect for FY 1985 if the balance in the Employment Security Trust Fund is less than \$80 million on April 30, 1984, as determined by the Secretary of Human Resources.
9. Benefit amounts paid are now rounded down to the next lowest dollar multiple.
10. Employer successorship provisions were changed and authorization was granted for KDHR to interplead in probate proceedings.

Attch. 1



Original  
1983 Tax Yield Requirements

Trust Fund Balance 7/31/82 \$ 216.8 million = 2.03%  
 Total Payrolls for FY 1982 \$10,656.2 million (Reserve  
 Fund  
 Ratio)

Final  
1983 Tax Yield Requirements

Trust Fund Balance 7/31/82 \$ 216.8 million = 2.03%  
 Total Payrolls for FY 1982 \$10,656.2 million (Reserve  
 Fund  
 Ratio)

<u>Reserve Fund Ratio</u>	<u>Planned Yield</u>
5.0% and over	0.30%
4.5 but less than 5.0	.50
4.0 but less than 4.5	.70
3.5 but less than 4.0	.80
3.0 but less than 3.5	.90
2.5 but less than 3.0	1.00
----2.0 but less than 2.5	1.10----
1.5 but less than 2.0	1.30
Less than 1.5	1.50

<u>Reserve Fund Ratio</u>	<u>Planned Yield</u>
5.00% and over	0.40%
4.75 but less than 5.00	.50
4.50 but less than 4.75	.60
4.25 but less than 4.50	.70
4.00 but less than 4.25	.80
3.75 but less than 4.00	.85
3.50 but less than 3.75	.90
3.25 but less than 3.50	.95
3.00 but less than 3.25	1.00
2.75 but less than 3.00	1.05
2.50 but less than 2.75	1.10
2.25 but less than 2.50	1.15
----2.00 but less than 2.25	1.20----
1.75 but less than 2.00	1.30
1.50 but less than 1.75	1.40
1.25 but less than 1.50	1.50
1.00 but less than 1.25	1.60
Less than 1.00	1.70

Total Payrolls for FY 1982 \$10,656.2 million = 2.45  
 Taxable Wages for FY 1982 \$ 4,349.7 million

Total Payrolls for FY 1982 \$10,656.2 million = 2.45  
 Taxable Wages for FY 1982 \$ 4,349.7 million

2.45 Ratio of Taxable to Total Wages  
 x 1.10 Planned Yield

2.45 Ratio of Total to Taxable Wages  
 x 1.20 Planned Yield

2.69% Adjusted Planned Yield Percentage

2.94% Adjusted Planned Yield Percentage

Taxable Wages for FY 1982 \$4,349.7 million  
 Adjusted Planned Yield %age x 2.69%

Taxable Wages for FY 1982 \$4,349.7 million  
 Adjusted Planned Yield %age x 2.94%

Amount of taxes to be generated from employers \$117 million

Amount of taxes to be generated from employers \$127.9 million



1984 Tax Yield Requirements\*\*

*2.03 last year*

Trust Fund Balance 7/31/83    \$ 166.2 million  
 Total Payrolls for FY 1983    \$10,725.0 million    = 1.55 %  
(Reserve  
Fund  
Ratio)

<u>Reserve Fund Ratio</u>	<u>Planned Yield</u>
5.00% and over	0.40%
4.75 but less than 5.00	.50
4.50 but less than 4.75	.60
4.25 but less than 4.50	.70
4.00 but less than 4.25	.80
3.75 but less than 4.00	.85
3.50 but less than 3.75	.90
3.25 but less than 3.50	.95
3.00 but less than 3.25	1.00
2.75 but less than 3.00	1.05
2.50 but less than 2.75	1.10
2.25 but less than 2.50	1.15
2.00 but less than 2.25	1.20
1.75 but less than 2.00	1.30
---- 1.50 but less than 1.75	1.40 ----
1.25 but less than 1.50	1.50
1.00 but less than 1.25	1.60
Less than 1.00	1.70

Total Payrolls for FY 1983    \$10,725.0 million  
 Taxable Wages for FY 1983    \$ 4,427.7 million    = 2.42%

2.42    Ratio of Total to Taxable Wages  
 x 1.40    Planned Yield

3.39%    Adjusted Planned Yield Percentage

Taxable Wages for FY 1983    \$4,427.7 million  
 Adjusted Planned Yield %age    x    3.39 %

Amount of taxes to be  
 generated from employers    \$ 150.1 million

\*\* All figures on this sheet are based on figures provided  
 by the Kansas Department of Human Resources.



Rate Group	1983 U.C. Rates 2/22/83*	Maximum Tax Per Employee	Rates Including Surcharge	Maximum Tax Per Employee	1984 U.C. Rates at \$7,000 Base	Maximum Tax Per Employee	1984 U.C. Rates at \$8,000 Base	Maximum Tax Per Employee
1	.07%	\$ 4.90	.08%	\$ 5.60	.08%	\$ 5.60	.06%	\$ 4.80
2	.28	19.60	.34	23.80	.33	23.10	.25	20.00
3	.56	39.20	.67	46.90	.67	46.90	.51	40.80
4	.84	58.80	1.01	70.70	1.00	70.00	.76	60.80
5	1.12	78.40	1.34	93.80	1.34	93.80	1.01	80.80
6	1.40	98.00	1.68	117.60	1.67	116.90	1.26	100.80
7	1.68	117.60	2.02	141.40	2.01	140.70	1.52	121.60
8	1.96	137.20	2.35	164.50	2.34	163.80	1.77	141.60
9	2.24	156.80	2.69	188.30	2.67	186.90	2.02	161.60
10	2.52	176.40	3.01	210.70	3.01	210.70	2.27	181.60
11	2.79	195.30	3.35	234.50	3.34	233.80	2.53	202.40
12	3.07	214.90	3.68	257.60	3.68	257.60	2.78	222.40
13	3.35	234.50	4.02	281.40	4.01	280.70	3.03	242.40
14	3.63	254.10	4.36	305.20	4.34	303.80	3.29	263.20
15	3.91	273.70	4.69	328.30	4.68	327.60	3.54	283.20
16	4.19	293.30	5.03	352.10	5.01	350.70	3.79	303.20
17	4.47	312.90	5.36	375.20	5.35	374.50	4.04	323.20
18	4.75	332.50	5.70	399.00	5.40	378.00	4.30	344.00
19	5.03	352.10	6.04	422.80	5.40	378.00	4.55	364.00
20	5.31	371.70	6.37	445.90	5.40	378.00	4.80	384.00
21	5.40	378.00	6.48	453.60	5.40	378.00	5.05	404.00

Negative Account Employers

-1	5.50%	\$385.00	6.60%	\$462.00	5.50%	\$385.00	5.50%	\$440.00
-2	5.60	392.00	6.72	470.40	5.60	392.00	5.60	448.00
-3	5.70	399.00	6.84	478.80	5.70	399.00	5.70	456.00
-4	5.80	406.00	6.96	487.20	5.80	406.00	5.80	464.00
-5	5.90	413.00	7.08	495.60	5.90	413.00	5.90	472.00
-6	6.00	420.00	7.20	504.00	6.00	420.00	6.00	480.00
-7	6.10	427.00	7.32	512.40	6.10	427.00	6.10	488.00
-8	6.20	434.00	7.44	520.80	6.20	434.00	6.20	496.00
-9	6.30	441.00	7.56	529.20	6.30	441.00	6.30	504.00
-10	6.40	448.00	7.68	537.60	6.40	448.00	6.40	512.00

\* Rate includes permanent effects of changes made in HB 2221 (not solvency surcharge).

<u>Calendar Year</u>	<u>Employer Contributions</u>	<u>Benefit Payments</u>
1979 .....	\$79,500,000	\$59,400,000
1980 .....	\$83,300,000	\$117,700,000
1981 .....	\$88,200,000	\$112,300,000
1982 .....	\$105,700,000	\$217,800,000
1983 ..... (est.)	\$153,400,000	\$165,900,000

Computation of Total Yield K.S.A. 44-710a

$$\frac{\text{Reserve Fund Balance (July 31, 1983) } \$166,250,000}{\text{Total Wages (Fiscal Year Ended June 30, 1983) } \$10,725,000,000} = 1.55\%$$

1.55% = Reserve Fund Ratio

Reserve fund ratio of 1.55% is found in Schedule III of K.S.A. 44-710

SCHEDULE III -- Fund Control  
Ratios to Total Wages

Column A Reserve Fund Ratio	Column B Planned Yield
5.00% and over . . . . .	0.40%
4.75 but less than 5.00% . . . . .	.50
4.50 but less than 4.75. . . . .	.60
4.25 but less than 4.50. . . . .	.70
4.00 but less than 4.25. . . . .	.80
3.75 but less than 4.00. . . . .	.85
3.50 but less than 3.75. . . . .	.90
3.25 but less than 3.50. . . . .	.95
3.00 but less than 3.25. . . . .	1.00
2.75 but less than 3.00. . . . .	1.05
2.50 but less than 2.75. . . . .	1.10
2.25 but less than 2.50. . . . .	1.15
2.00 but less than 2.25. . . . .	1.20
1.75 but less than 2.00. . . . .	1.30
→ 1.50 but less than 1.75. . . . .	<u>1.40</u> ←
1.25 but less than 1.50. . . . .	1.50
1.00 but less than 1.25. . . . .	1.60
Less than 1.00%. . . . .	1.70

$$1.40\% \times \$10,725,000,000 \text{ (total Wages)} = \$150,100,000$$

\$150,100,000 is total income required from employers during Calendar Year 1984



Groups of Employers

Fixed  
Contributions

< Ineligible (new employers)  
 < Negative Balance (benefit payments exceed contributions)  
 Eligible

Total income required ..... \$150,100,000

Less income to be received from:

Ineligible employers ..... \$7,300,000  
 Negative Balance ..... \$22,300,000

Balance from Eligible employers ..... \$120,500,000

Eligible employers are arrayed by "Reserve Ratio" from high to low in the following schedule below.

SCHEDULE I -- Eligible Employers

Column A Rate Group	Column B Cumulative Taxable Payroll	Column C Experience Factor (Ratio to total wages)
1	Less than 4.76% . . . . .	.025%
2	4.76% but less than 9.52. . . . .	.1
3	9.52 but less than 14.28. . . . .	.2
4	14.28 but less than 19.04 . . . . .	.3
5	19.04 but less than 23.80 . . . . .	.4
6	23.80 but less than 28.56 . . . . .	.5
7	28.56 but less than 33.32 . . . . .	.6
8	33.32 but less than 38.08 . . . . .	.7
9	38.08 but less than 42.84 . . . . .	.8
10	42.84 but less than 47.60 . . . . .	.9
11	47.60 but less than 52.36 . . . . .	1.0
12	52.36 but less than 57.12 . . . . .	1.1
13	57.12 but less than 61.88 . . . . .	1.2
14	61.88 but less than 66.64 . . . . .	1.3
15	66.64 but less than 71.40 . . . . .	1.4
16	71.40 but less than 76.16 . . . . .	1.5
17	76.16 but less than 80.92 . . . . .	1.6
18	80.92 but less than 85.68 . . . . .	1.7
19	85.68 but less than 90.44 . . . . .	1.8
20	90.44 but less than 95.20 . . . . .	1.9
21	95.20 and over. . . . .	2.0

For Calendar Year 1984 the average employer contribution rate required of those employers in the array was 3.342 to insure an income of \$120,500,000. This results in the following set of tax rates:

<u>Rate Group</u>	<u>Reserve Ratio (lower limit)</u>	<u>Experience Factor</u>	<u>Number of Employers</u>	<u>Contribution Rate</u>
1	.16359	.025%	6,138	.08%
2	.15444	.1	3,027	.33
3	.15015	.2	2,099	.67
4	.14780	.3	1,462	1.00
5	.14559	.4	1,567	1.34
6	.14387	.5	1,404	1.67
7	.14269	.6	1,030	2.01
8	.14105	.7	1,250	2.34
9	.13910	.8	1,294	2.67
10	.13696	.9	1,329	3.01
11	.13507	1.0	1,041	3.34
12	.13250	1.1	1,307	3.68
13	.12917	1.2	1,402	4.01
14	.12431	1.3	1,678	4.34
15	.11856	1.4	1,535	4.68
16	.11044	1.5	1,649	5.01
17	.10599	1.6	714	5.35
18	.09147	1.7	1,997	5.40
19	.06715	1.8	2,807	5.40
20	.04195	1.9	2,141	5.40
21	.00000	2.0	2,951	5.40



EMPLOYER CONTRIBUTION RATES  
BASED UPON INSURANCE PRINCIPLES

Basic to any discussion of employer contribution rates is the understanding that we are dealing with an insurance program in which rates are actuarially developed in the same manner as any type of insurance program -- such as:

fire, automobile, life, etc.

Premiums or "Contributions" are pooled to avoid a sudden atypical high cost to any one employer. This allows an employer to pay premiums in the form of contributions rather than having to pay the total cost of benefits.

Experience Rating

This is a procedure for varying employer rates and allocating costs in relation to the employer's "actual experience" and the "potential risk" with unemployment while maintaining fund solvency.

Three factors which affect employer rates:

1. Size of Employment Security Trust Fund

Schedule III-Fund Control determines the required yield. (Fund Balance + Total FY Payroll)

2. Benefits charged to employer's experience rating accounts. - Actual experience with unemployment. (Benefits that are paid but are not charged to individual employer experience rating accounts amount to a "socialized" cost and shared by all employers through fund balance.)

3. Average Annual Taxable Payroll - Represents an employer's potential risk with unemployment.

(a) Increasing Average Annual Taxable Payroll generally causes an employer's rate to increase.

(b) Decreasing Average Annual Taxable Payroll generally causes an employer's rate to decrease.

COMPUTATION OF EMPLOYER CONTRIBUTION RATES  
USING EXPERIENCE RATING FACTORS

Account Balance - (Positive or Negative)

Difference between Total Contributions Paid for all years and the Total Benefits Charged for all years. (Represents an employer's actual experience with unemployment.)

Average Annual Taxable Payroll

The average of taxable payrolls for the last three years immediately preceding the computation date. (Represents an employer's potential risk with unemployment.)

Reserve Ratio - (Positive or Negative)

$$\frac{\text{Account Balance}}{\text{Average Annual Taxable Payroll}} = \text{Reserve Ratio}$$

The reserve ratio allows a comparison of employer experience rating status no matter how large or small the employer may be.

RESERVE RATIO DETERMINES TAX RATE

Individual employer's assigned tax rate is determined by the relative size of the individual employer's reserve ratio when ranked or "arrayed" with all other eligible employers by reserve ratio.

This procedure produces varying reserve ratio brackets each year, but allows a more leveled distribution of contribution rates among eligible employers.



- RATE COMPUTATION EXAMPLE -

	<u>Contributions Paid</u>	<u>Benefits Charged</u>
Prior Years Thru 06-30-82	\$5,432.	\$800.
For Fiscal Year Ended 06-30-83	<u>1,175.</u>	<u>200.</u>
TOTALS	\$6,607.	\$1,000.

Account Balance is \$5,607.

Taxable Payroll		Average Annual Taxable Payroll
1980	\$41,429.	
1981	48,900.	
1982	58,310.	
		\$49,546.

<u>Account Balance</u>	<u>Average Annual Taxable Payroll</u>	<u>Reserve Ratio</u>	<u>Rate Group</u>	<u>Tax Rate</u>
\$5,607. +	\$49,546.	= 11.317	16	5.01%

Upper and Lower  
Reserve Ratio

Rate Group 16            11.855    11.044



TOPEKA

HOUSE OF  
REPRESENTATIVES

January 24, 1984

ROCHELLE CHRONISTER  
ASSISTANT MAJORITY LEADER  
REPRESENTATIVE - GINTHER DISTRICT  
WILSON WOODSON COUNTIES  
LIBERTY AND NEOSHO TOWNSHIPS  
IN COFFEY COUNTY  
ROUTE 2 BOX 321A  
NEODESHA KANSAS 66757

#"  
COMMITTEE ASSIGNMENTS  
VICE CHAIRMAN - COMMUNICATION, COMPUTER  
AND TECHNOLOGY  
MEMBER - CALENDAR AND PRINTING  
WAYS AND MEANS

## ADDITIONAL TESTIMONY ON HB 2653

To: House Labor & Industry Committee  
From: Representative Rochelle Chronister

In answer to some of the questions that were raised by House Bill 2653, I appreciate the opportunity to submit this additional testimony:

1) A case in point that shows the economic effect of how rules/regulations affected small businesses vs. large business deals with the fee increases promulgated by the Health and Environment department in relation to ambient air standards. The agency was directed last year by this legislature by SB 414 to increase fees in a number of areas in order to cover the cost of the programs which were provided. In the case of the air quality program they tried to set up regulations with some relation to the amount of pollution created; however, they placed an upper cap on the charges which has forced small scale businesses to carry the burden for the inspections. Three or four small grain elevators in a city for instance who produce very low amounts of pollution may actually pay more than a large anhydrous ammonia generator who is a major producer. Although some attempt was made to accomodate different size business, an economic impact study would have shown that they were probably paying an unfair amount of the total cost.

2) In regard to what was the source of this bill ---

At the NCSL conference for "Employment in the 1980's: Jobs for a Changing Economy" in May of 1983 in Boston, one of the main issues discussed was loss of jobs in the United States. It was noted that 39% of all jobs in 1969 had disappeared by 1976, due to plant closings or relocations. Barry Bluestone, Professor of Economics, and Director of the Social Welfare Research Institute of Boston College, stated that this is due to a mixture of reasons; however, the ability to compete in foreign markets and against imports is one of the major parts of the problem. One of his main recommendations in order to help with this problem was for the states and business and industry to work closer in order to insure that while our workers are protected from any lessening of safety standards any unnecessarily burdensome rules and regulations should be removed or moderated.

Atch. 4



HB 2653 (cont)  
January 24, 1984

Kansas has recognized this problem in the past by exempting certain companies from rules and regulations if they are below a certain size (one bathroom instead of two for instance when under five people are employed), if businesses produce below certain amounts of a product or by-product, they are sometimes exempted from rules and regulations. HB 2653 speaks to a further safe guard in this area by having a formal method during examinations of rules and regulations for looking at the cost to small business and large business and providing for modifications to the rules & regulations. If you have small businesses being affected in an unusual manner something can be done within the meaning of the statutes.

Small business people in Kansas were recently surveyed by the National Federation of Independent Business and 25% of the businesses replied that state-required paperwork was a "major, time-consuming and costly problem" while an additional 62% believed it to be "somewhat of a problem." Anything that the state can do to alleviate the costs of additional paperwork/costs will be money in the pocket of small businesses which could be used for additional expansion of our job market.

3) I feel certain that a fiscal note will be submitted by the agencies suggesting that several new people should be hired in order to accomodate this economic impact on small businesses. I would ask you to keep in mind that if you want to do something you can usually find a way to do it at little or no cost, especially as we already require a type of fiscal impact statement; if you don't want to do it, there are suddenly all types of additional costs. I believe that agency cost would be of benefit to the Kansas economic climate. If the committee believes that reviewing all the old rules & regulations would be too costly; however, I suggest that, at least, all new rules and regulations be submitted to this review.

Thank you for the opportunity to clarify this bill.