

Approved

Authentic 4-22-86  
Date

MINUTES OF THE House COMMITTEE ON Labor and Industry

The meeting was called to order by Representative Dorothy Nichols at  
Co- Chairperson

9:00 a.m./~~p.m.~~ on February 11, 1986 in room 526-S of the Capitol.

All members were present except:

Representatives Acheson, Bideau, Douville, Miller, Pottorff and Sifers.

Committee staff present:

All present.

Conferees appearing before the committee:

Larry Wolgast, Secy., Dept. of Human Resources

After passing out favorably S.B. 176 on February 6, 1986 it was realized that a technical amendment was needed on the bill. Representative Friedeman made a motion to reconsider S.B. 176. The motion was seconded by Representative Green. There was no discussion. A vote was taken and the motion passed. Representative DeBaun made a motion to amend S.B. 176, where ever it refers to Supp. 1984 to be changed to Supp. 1985. The motion was seconded by Representative Friedeman. There was no discussion. A vote was taken and the motion carried. Representative Snowbarger made a motion to pass out S.B. 176, as amended, favorably. The motion was seconded by Representative Friedeman. There was no discussion. A vote was taken and the motion carried.

Larry Wolgast passed out to the committee members 2 handouts. Mr. Wolgast went over attachment #1 with the committee. There was a long discussion concerning whether the small businesses are carrying the fund for the large businesses. Mr. Wolgast then explained several points of the bill. A lengthy discussion followed.

Because of time restrictions Sec'y. Wolgast will come back tomorrow to try and finish up.

The meeting was adjourned at 9:55 a.m.

D6  
4

HOUSE COMMITTEE ON  
LABOR AND INDUSTRY

Guest List

Date Feb. 11, 1986

Name	City	Representing
Rob Hodges	Topeka	KCCI
RON GACHES	WICHITA	BMAC
Wayn. Mauch	Top	B AFL-CIO
Paul Bicknell	Topeka	DHR
Bill Clawson	"	"
Donna Smith	"	K.B.A.
Harry D. Nelson	Wichita	AFL-CIO
Ralph M. Coe	Topeka	AFL-CIO
DAN MORGAN	"	AGC of KS

KANSAS DEPARTMENT OF HUMAN RESOURCES

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.

H. L+I

2-11-86

ATTACHMENT #1

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.

## COMPUTATION OF BENEFIT AMOUNT

Base Period: First four of last five completed calendar quarters preceding claim effective date.				Filed valid claim Nov. 12, 1985 Benefit year begins on Sunday, Nov. 11, 1985		Benefit Year begins Nov. 11, 1985 Benefit Year ends Nov. 10, 1986			
BASE PERIOD				LAG QUARTER	FILING QUARTER	BENEFIT YEAR			
1984 Jul-Aug-Sep	1984 Oct-Nov-Dec	1985 Jan-Feb-Mar	1985 Apr-May-Jun	1985 Jul-Aug-Sep	1985 Oct-Nov-Dec	1986 Jan-Feb-Mar	1986 Apr-May-Jun	1986 Jul-Aug-Sep	1986 Oct-Nov-Dec
Wages \$1,750	Wages \$1,700	Wages \$2,200	Wages \$2,400	Wages in this qtr. not used					

### Weekly Benefit Amount

The Insured had the highest earnings (\$2,400) in the April-May-June quarter of 1985 . . . . .  $\$2,400 \times 4.25\% = 102$   
WBA

### Qualifying Earnings

To qualify for benefits the Insured must have been paid wages from insured employment in at least two quarters with total wages of at least thirty times his weekly benefit amount . . . . .  $30 \times \$102 = \$3,060$   
 (The Insured, in this example, qualifies.)

### Total Benefit Amount

$\$1,750 + \$1,700 + \$2,200 + \$2,400 = \$8,050 =$  Total Base Period Earnings  
 $\frac{1}{3}$  of  $\$8,050 = \$2,683$   
 $26 \times \$102$  (Weekly Benefit Amount) =  $\$2,652$   
 \$2,652 is the Total Benefit Amount since it is less than \$2,683.

2-11-86 PH #2