

Approved: Al Lane 1-26-95
Date

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at 9:06 a.m. on January 19, 1995 in Room 526-S of the Capitol.

All members were present except: Rep. Shari Weber - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Jim Wilson, Revisor of Statutes
Bev Adams, Committee Secretary

Conferees appearing before the committee: Rep. Doug Mays
Bill Lays, KS Dept. of Human Resources (KDHR)
Paul Bicknell, KS Dept of Human Resources
Linda Tierce, KS Dept of Human Resources

Others attending: See attached list

Chairman Lane opened the meeting by introducing Rep. Doug Mays, who requested the committee introduce a bill dealing with mutual funds and the issuance of additional shares of mutual funds. Rep. Heinemann made a motion to introduce the bill, Rep. Ballard seconded, and the motion passed.

Chairman Lane then brought the committee up to date on the bill introduced to correct the constitutional problems with the Workers Compensation bill. The bill introduced in the Senate yesterday, **SB 59**, will be heard today on General Orders in the Senate. Plans are for the bill to be introduced into the House tomorrow, January 20, and heard Monday or Tuesday in the House. Chairman Lane asked Jim Wilson if he or Bob Nugent could give the committee a short synopsis on the bill at tomorrow's meeting.

Chairman Lane then introduced Bill Lays, Chief of Labor Market Information, (see Attachment 1) who started the presentation by highlighting the current financial position of the Kansas Unemployment Insurance Benefit Trust Fund. Kansas enjoys a lower total unemployment rate than the national average. In the state fiscal year 1994 a total of \$174.8M was paid in UI benefits while Kansas employers paid \$178.2M in UI contributions. The average time a claimant drew benefits was 15.1 weeks. Weekly UI benefits ranged from \$62.00 to \$250.00. A total of 61,144 Kansas employers were covered under the Kansas Employment Security Law. (see Attachment 1) Mr. Lays then answered questions from the committee.

Paul Bicknell, Chief of Contributions for Unemployment Insurance, gave a more detailed overview of his office. The Contributions Branch is the revenue generating arm of Unemployment Insurance. Its five major functions are: determining employer liability; securing delinquent monies and reports; correcting employer errors in reporting and processing employer quarterly reports; employer tax rate determinations; and auditing employer books and records to insure compliance. (see attachment 3, January 18, 1995)

Linda Tierce, the acting Director of the Division of Employment Security and the Chief of Unemployment Insurance Benefit handed out a pamphlet to each committee member. She explained that this pamphlet was given to each person who came into the office at 1430 Topeka (and other offices throughout Kansas) to file an unemployment claim. She then walked the committee through the process that each claimant goes through to collect unemployment. She explained how they arrive at the decision that a claimant is eligible and also explained about voluntary quits. She finished by answering questions from the committee.

Chairman Lane adjourned the meeting at 10:16 a.m.

The next meeting is scheduled for January 20, 1995.

**CURRENT FINANCIAL POSITION OF
THE KANSAS UNEMPLOYMENT INSURANCE
BENEFIT TRUST FUND**

**. . . PREPARED FOR
BUSINESS COMMERCE AND LABOR COMMITTEE
MEETING OF JANUARY 19, 1995**

**WAYNE L. FRANKLIN, SECRETARY
KANSAS DEPARTMENT OF HUMAN RESOURCES
DIVISION OF STAFF SERVICES
LABOR MARKET INFORMATION SERVICES**

*House Business, Commerce &
Labor Committee
1-19-95
Attachment 1*

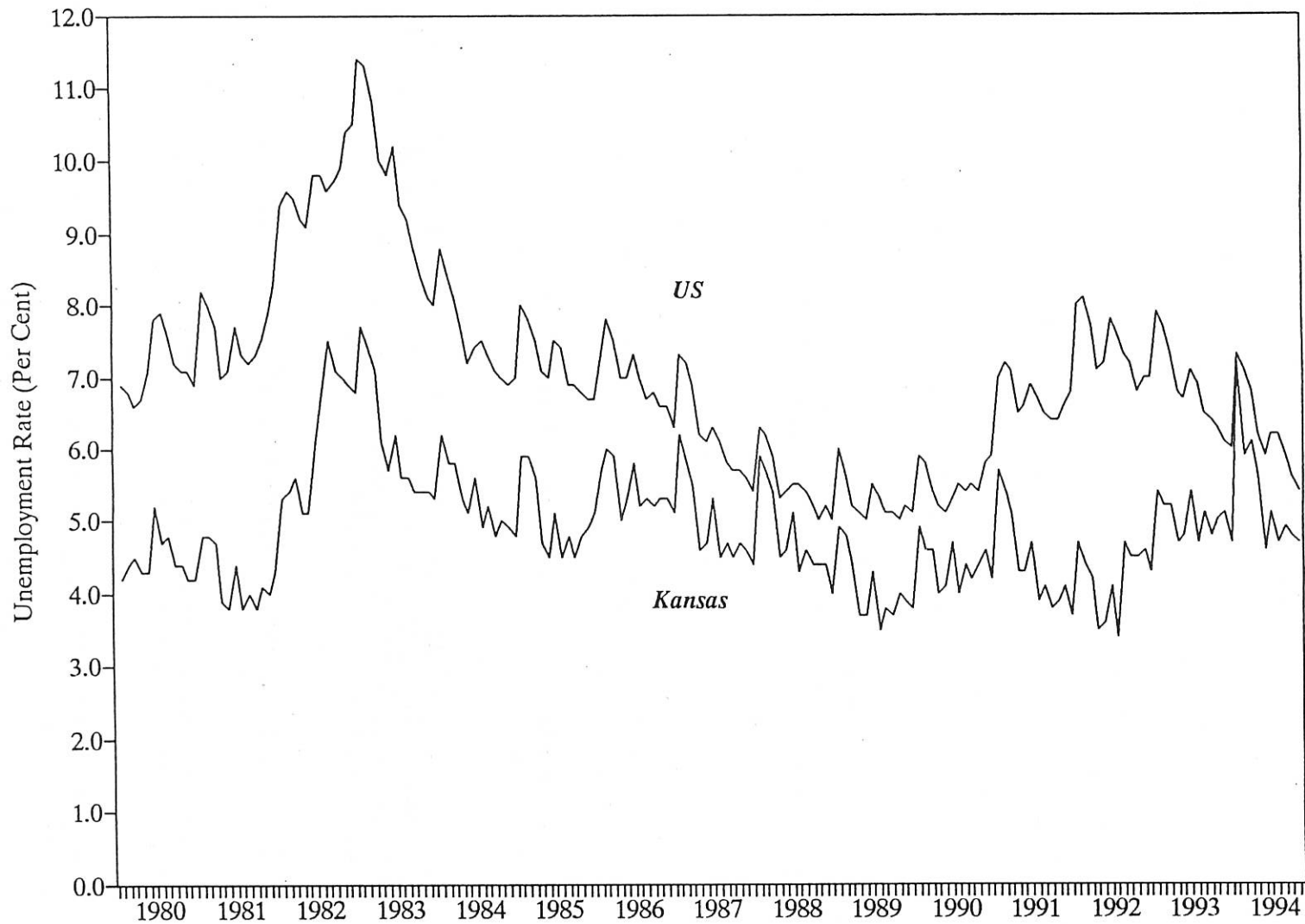
EXECUTIVE SUMMARY
KEY FACTS
Unemployment Insurance and the Kansas Economy
State Fiscal Year 1994

Total Unemployment Rate

<u>Area</u>	<u>State Fiscal Years</u>		<u>November</u>
	<u>1994</u>	<u>1993</u>	<u>1994</u>
United States	6.5	7.2	5.6
Kansas	5.3	4.7	4.8
Kansas City MSA	4.7	4.6	4.2
Topeka MSA	5.0	4.8	4.6
Wichita MSA	6.2	4.8	5.4

- * 61,596 persons received 929,979 weekly payments in SFY 1994.
- * Weekly UI benefits ranged from \$62.00 to \$250.00 in FY 1994. In FY 1995, the minimum payment is \$63.00 and the maximum payment is \$255.00. Benefit payments are based on a claimant's prior earnings in insured work.
- * A total of \$174.8M was paid in UI benefits in SFY 1994.
- * The average time a claimant drew benefits was 15.1 weeks.
- * 61,144 Kansas employers were covered under the Kansas Employment Security Law.
- * An employer is liable for UI taxes on the first \$8,000 in wages for each employee. The average UI tax in calendar year 1992 was 2.40%, or approximately \$192.00, per employee. The highest employer UI tax was 6.40% and the lowest was 0.5%.
- * In SFY 1994, Kansas employers paid \$178.2M in UI contributions.
- * Kansas UI Trust Fund monies are held in the U. S. Treasury. Money is drawn daily to meet an estimated outlay.
- * The average interest rate on funds held in the U. S. Treasury was 7.29% in calendar year 1993.

GRAPH 1
US and Kansas Unemployment Rates
1980--1994



-2-

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Table 1
 Kansas Labor Market Summary
 1984-1994 Actual; 1995-1996 Projected
 July-June Fiscal Years

Period	FY84	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96
Civilian Labor Force—Place of Residence Data													
Civilian Labor Force	1,185,753	1,220,141	1,237,470	1,248,863	1,279,093	1,282,995	1,279,864	1,266,461	1,283,388	1,317,627	1,331,254	1,346,500	1,362,500
Employment	1,120,271	1,157,931	1,173,250	1,182,789	1,216,657	1,227,651	1,226,774	1,208,082	1,232,044	1,255,361	1,260,407	1,277,200	1,293,500
Unemployment	65,482	62,210	64,220	66,074	62,436	55,344	53,110	58,379	51,344	62,266	70,847	69,300	69,000
Unemployment Rate	5.5	5.1	5.2	5.3	4.9	4.3	4.1	4.6	4.0	4.7	5.3	5.1	5.1
Nonfarm Wage and Salary Employment—Place of Work Data (in thousands)													
All Industries	942.8	967.2	975.0	992.0	1,021.1	1,051.1	1,077.3	1,089.8	1,106.7	1,122.8	1,148.0	1,171.8	1,194.7
Goods Producing Industries	231.4	236.8	232.9	230.9	234.1	233.5	236.1	236.1	236.7	236.4	239.5	241.1	242.6
Mining	17.6	17.5	15.0	11.0	11.2	9.7	9.6	10.2	9.5	8.9	8.7	8.6	8.5
Construction	41.6	43.2	42.9	45.0	43.7	40.5	41.0	41.2	43.7	44.7	48.8	50.4	51.7
Manufacturing	172.2	176.1	175.0	174.9	179.2	183.3	185.5	184.7	183.5	182.6	182.0	182.1	182.4
Services Producing Industries	711.4	730.4	742.1	761.1	787.0	817.6	841.2	853.7	870.0	886.4	908.5	930.7	952.1
Transportation & Public Utilities	63.1	64.4	63.1	62.3	63.5	65.2	66.9	65.5	65.5	64.5	67.7	69.1	70.3
Wholesale and Retail Trade	233.8	242.8	245.0	249.6	255.7	263.7	267.5	268.4	270.5	272.2	276.9	280.4	284.0
Finance, Insurance & Real Estate	50.7	52.1	53.6	55.7	57.5	57.9	58.1	58.4	57.8	57.8	58.7	59.0	59.7
Services	180.3	183.8	189.6	197.5	208.2	223.1	237.5	245.0	254.3	263.4	275.0	286.5	298.0
Government	183.5	187.3	190.8	196.0	202.1	207.7	211.2	216.4	221.9	228.5	231.2	235.7	240.1
Other Categories													
Farm Employment	59.9	64.0	64.0	60.3	57.5	57.0	57.5	55.6	52.3	53.7	51.8	52.0	52.0

12/09/94 Kansas Department of Human Resources, Labor Market Information Services, phone (913) 296-6058. Developed in cooperation with the U. S. Bureau of Labor Statistics.

Note: Labor force estimates beginning in January 1990 are not comparable with earlier data; FY91 and later figures (especially labor force and employment) are therefore not comparable with earlier fiscal year figures. Additionally, labor force estimates beginning in January 1994 are not comparable with earlier data; FY94 figures (especially unemployment) are therefore not comparable with earlier fiscal year figures.

KANSAS EMPLOYMENT HISTORY

A comparison of change in the employment by industry from first quarter 1993 to first quarter 1994 reveals that a major increase was experienced in certain service industries and retail trade categories. Major increases in employment from first quarter 1993 to first quarter 1994 are listed below.

Employment Gainers by Industry

<u>Industry</u>	<u>Employment</u>
Eating and Drinking Establishments	3,089
Business Services	2,691
Health Services	2,077
Industrial and Commercial Machinery and Computer Equipment	1,881
Food Products	1,373
Social Services	1,172
Special Trade Contractors	1,106

Industries experiencing significant declines in employment include the following categories:

Employment Losers by Industry

<u>Industry</u>	<u>Employment</u>
Textiles	-184
Oil and Gas Extraction	-319
Miscellaneous Retail	-1,660
Transportation Equipment	-4,452

TRANSPORTATION EMPLOYMENT

Aircraft employment in Kansas decreased 7,800 during the period from January 1991 through November 1994. Most of the decline occurred from mid-1992 through 1993, with employment becoming more stable in 1994. The losses have had the greatest impact in the Wichita area where the aircraft industry is centered.

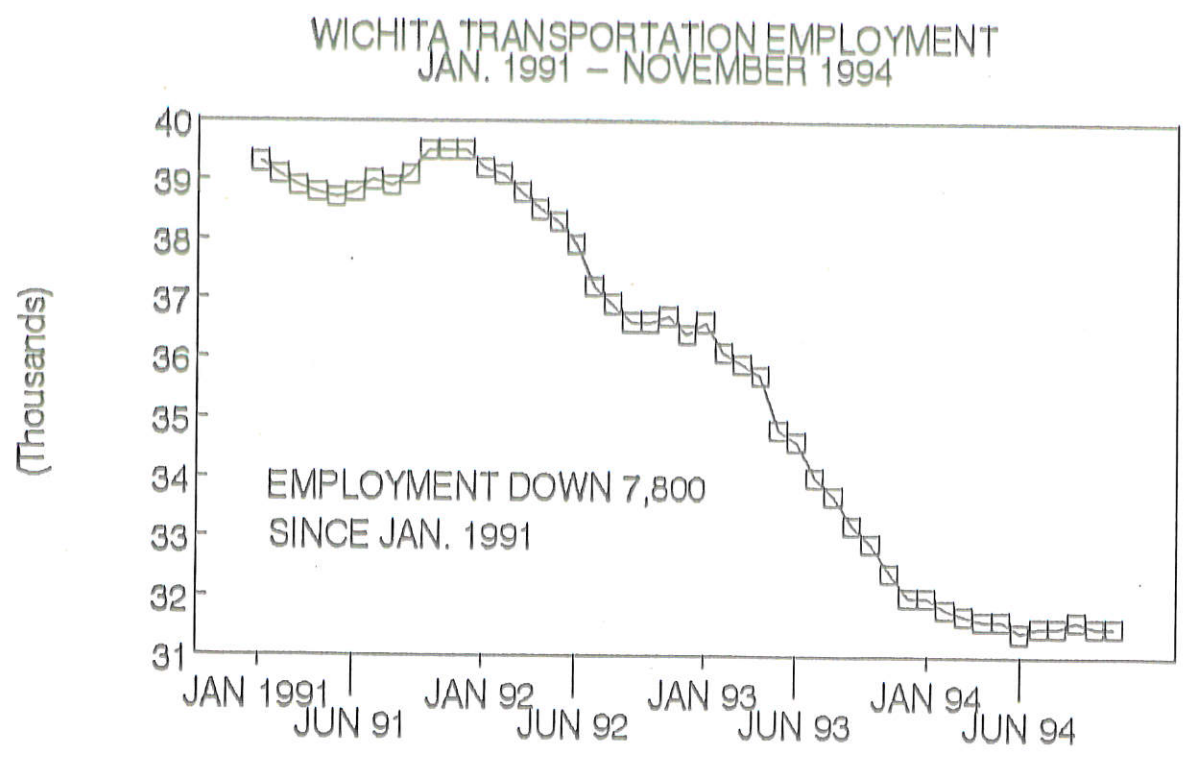


Table 2
 Wichita MSA Transportation Equipment Employment
 and Total Unemployment Rate By Month
 January 1991 - November 1994

<u>Month</u>	<u>Employment</u>	<u>Total Unemployment Rate</u>
January 1991	39,300	4.9
February	39,100	4.7
March	38,900	4.5
April	38,800	3.9
May	38,700	4.1
June	38,800	4.4
July	39,000	4.2
August	38,900	4.1
September	39,100	3.7
October	39,500	3.7
November	39,500	3.6
December	39,500	3.4
January 1992	39,200	4.1
February	39,100	3.9
March	38,800	3.9
April	38,500	3.4
May	39,300	3.5
June	37,900	4.3
July	37,200	3.3
August	36,900	4.9
September	36,600	4.6
October	36,600	4.5
November	36,700	4.5
December	36,400	4.2
January 1993	36,600	5.4
February	36,100	5.2
March	35,900	5.3
April	35,700	4.7
May	34,800	5.2
June	34,600	5.9
July	34,000	5.2
August	33,600	5.8
September	33,100	5.7
October	32,900	6.0
November	32,400	5.9
December	32,100	5.1
January 1994	32,000	8.0
February	31,800	6.9
March	31,700	7.2
April	31,600	6.6
May	31,600	5.5
June	31,400	6.2
July	31,500	5.5
August	31,500	5.7
September	31,600	5.5
October	31,500	5.4
November	31,500	5.4

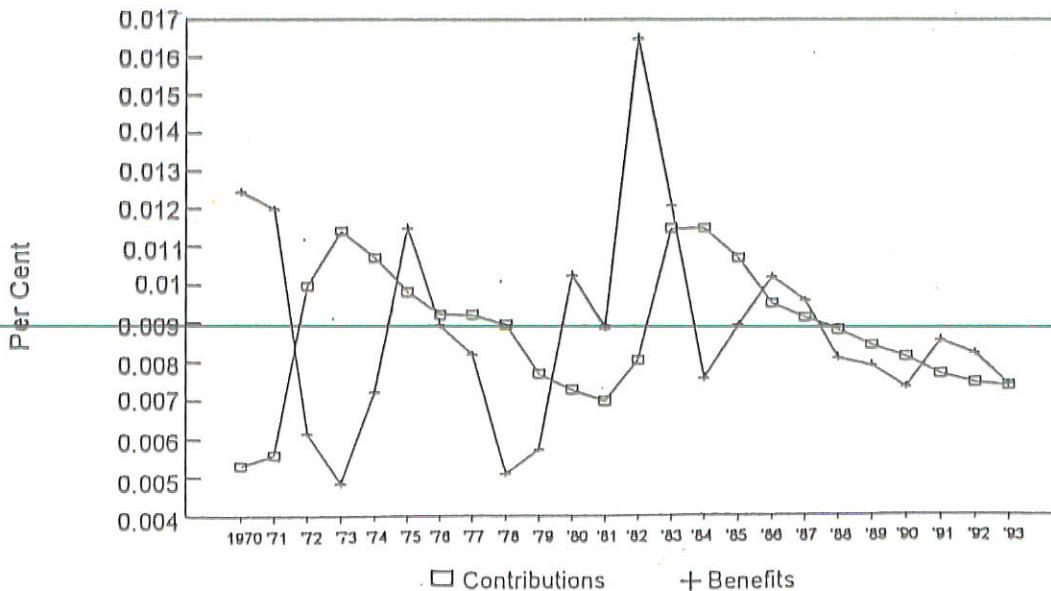
Table 3
Benefits, Contributions, and Interest
CY 1980 - 1994

Calendar Year	Reserve Fund Balance (December 31)	Benefits Paid (000,000)	Contributions Received (000,000)	Interest Earned	
				Amount (000,000)	Per Cent 1/
Total	N/A	\$2,200.0 2/	\$2,092.0 2/	\$442.0 2/	9.07%
1980	\$218.8	117.7	83.3	20.0	8.53
1981	220.9	112.3	88.2	22.1	9.99
1982	135.1	217.8	105.7	21.4	11.29
1983	152.5	165.9	157.5	14.0	10.44
1984	234.7	112.8	172.2	20.6	10.18
1985	295.7	139.7	167.9	28.2	10.34
1986	322.7	168.4	157.0	31.1	9.77
1987	355.0	166.1	158.3	30.9	8.99
1988	404.4	148.9	162.1	32.8	8.51
1989	461.7	153.4	163.6	38.5	8.74
1990	526.9	162.0	168.2	44.4	8.81
1991	560.3	184.5	165.6	46.8	8.61
1992	595.2	188.7	171.4	46.1	7.97
1993	647.0	175.9	175.5	45.5	7.29
1994	723.8	165.7	176.5	45.5(est)	6.66(est)

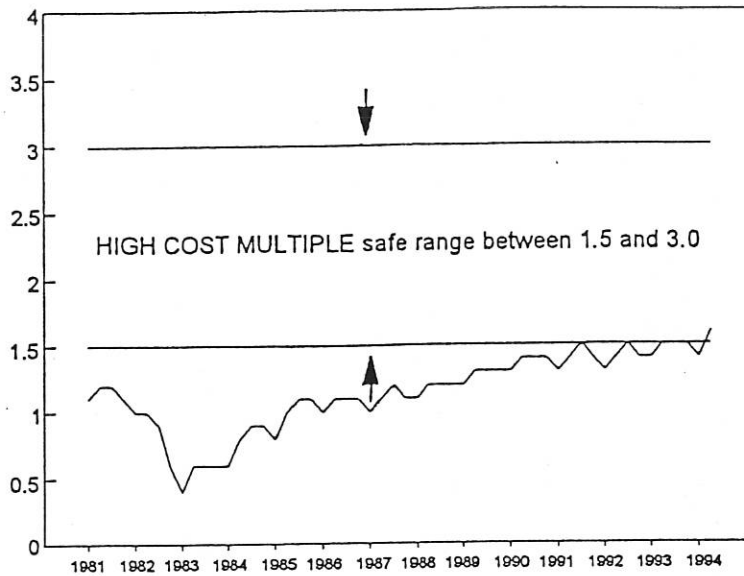
N/A Not Applicable

- 1/ The per cent of interest earned to the average fund balance is calculated by dividing the amount of interest earned in a year by the average of the 12 end-of-month fund balances, and multiplying times 100.
- 2/ Sum of actual amounts, rounded.

Graph 2
Contributions and Benefits as a Per Cent of Total Wages
CY 1970 - 1993



Graph 3
 Kansas High Cost Multiple
 CY 1981 - 1994 by Quarter



The "High Cost Multiple" is a measure of U.I. trust fund adequacy among states. The ideal, or "safe" range is between 1.5 and 3.0.

The Kansas HCM of 1.64 means that if a recession equal in severity to that of 1982-1983 were to occur, the state's current reserves could pay benefits for 1.64 years or 19.7 months. Simply stated, the HCM says that the level of reserves in a state should be at a level of at least one and one half (1.5) times the highest 12-month payout in the last 15 years. As the level of the HCM approaches 3.0, the state may be taxing excessively and steps should be taken to reduce the employer contribution.

Table 4
 Comparative Regional High Cost Multiple Statistics
 June 1994

1994 State	High Cost Multiple	Rank	Trust Fund Balance June (000)
U. S. Average	0.60	N/A	\$30,325,073
Arkansas	0.36	41	148,221
Colorado	0.96	20	409,591
Iowa	1.22	11	665,920
Kansas	1.64	4	703,291
Missouri	0.08	51	66,447
Nebraska	1.03	17	177,838
Oklahoma	1.62	5	457,143

N/A Not Applicable

Source: UI Data Summary, 2nd quarter, CY 1994

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Table 5
Current Reserve Analysis
Current Reserves Compared to Payments
2nd Quarter 1994 ^{a/}

<u>State</u>	<u>Months of Benefits in Trust Fund</u>	<u>State Ranking</u>
U. S. Average	16.3	N/A
Arkansas	11.0	41
Colorado	27.8	28
Iowa	46.5	13
Kansas	48.2	12
Missouri	2.5	50
Nebraska	50.2	11
Oklahoma	46.4	14

N/A Not Applicable

^{a/} Months of reserves available for payment of benefits assuming benefit levels continue at the same rate as the last 12 months.

We believe this "current reserve" analysis to be less meaningful as a measure of fund adequacy compared to the "high cost multiple" since it relies solely on the immediate past as a predictor of the future. The last 12 months may or may not be an accurate indication of future benefit outlays.

Table 6
States With Less Than Three Months
of Benefits in the Trust Fund

June 1994

Connecticut
Massachusetts
Missouri
New York

Table 7
Trust Fund Balance Adequacy by State
June 1994

State	Trust Fund Balance		Reserve Fund Ratio		High Cost Multiple 1/	
	Amount (000)	U.S. Rank	Ratio	U.S. Rank	Multiple	U.S. Rank
Alabama	\$ 565,350	20	1.92%	24	0.89	23
Alaska	199,525	37	3.78	6	0.87	26
Arizona	421,566	25	1.44	33	0.58	35
Arkansas	148,221	42	0.96	41	0.36	41
California	2,486,127	1	0.88	43	0.37	40
Colorado	409,591	26	1.21	38	0.96	20
Connecticut	48,291	50	0.12	52	0.04	52
Delaware	235,586	36	3.18	11	1.18	13
District of Columbia	46,010	51	0.41	48	0.22	48
Florida	1,674,696	3	1.61	29	0.87	25
Georgia	1,217,697	8	1.99	23	0.94	22
Hawaii	267,769	32	2.60	18	0.98	19
Idaho	236,722	35	3.34	8	1.05	16
Illinois	1,099,011	9	0.92	42	0.35	42
Indiana	1,081,834	10	2.17	20	1.21	12
Iowa	655,920	18	3.20	10	1.22	11
Kansas	703,291	16	3.24	9	1.64	4
Kentucky	397,037	28	1.55	30	0.56	36
Louisiana	822,690	13	2.95	15	0.96	21
Maine	55,191	47	0.67	46	0.24	47
Maryland	346,334	30	0.85	44	0.39	38
Massachusetts	30,514	53	0.05	53	0.01	53
Michigan	711,196	15	0.81	45	0.22	49
Minnesota	243,232	33	0.56	47	0.28	46
Mississippi	458,406	23	3.04	13	1.54	6
Missouri	66,447	46	0.15	51	0.08	51
Montana	97,599	45	1.79	26	0.59	34
Nebraska	177,838	40	1.54	31	1.03	17
Nevada	242,746	34	1.71	27	0.62	32
New Hampshire	193,582	38	2.01	22	0.80	28
New Jersey	1,830,849	2	2.07	21	0.62	31
New Mexico	292,649	31	3.13	12	1.91	2
New York	398,055	27	0.21	50	0.09	50
North Carolina	1,518,118	5	2.61	17	1.01	18
North Dakota	50,781	48	1.43	34	0.61	33
Ohio	1,023,528	11	1.05	40	0.34	43
Oklahoma	457,143	24	2.22	19	1.62	5
Oregon	1,015,943	12	4.29	4	1.33	10
Pennsylvania	1,379,438	6	1.40	35	0.42	37
Puerto Rico	697,535	17	7.97	1	1.89	3
Rhode Island	106,592	44	1.39	36	0.32	44
South Carolina	494,059	22	1.87	25	0.65	30
South Dakota	49,232	49	1.22	37	1.17	14
Tennessee	723,610	14	1.70	28	0.78	29
Texas	545,900	21	0.36	49	0.32	45
Utah	380,952	29	2.93	16	1.45	7
Vermont	187,077	39	4.47	3	1.38	8
Virginia	611,938	19	1.11	39	0.85	27
Virgin Islands	44,043	52	5.69	2	2.50	1
Washington	1,601,290	4	3.72	7	0.88	24
West Virginia	155,831	41	1.51	32	0.38	39
Wisconsin	1,291,130	7	2.99	14	1.16	15
Wyoming	129,362	43	4.14	5	1.37	9

1/ The High Cost Multiple represents the number, or fraction, of years a state could sustain a period of high benefit payments.

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OVERVIEW OF LABOR MARKET INFORMATION SERVICES

1. The department serves as the primarily collector of labor statistics and economic information for the Kansas Department of Human Resources.
2. The department is funded primarily through the Bureau of Labor Statistics. Through this activity the department conducts a number of mail surveys with cooperating employers to collect economic and labor force information. A total of some 54,700 employer contacts are made annually. These programs include

Local Area Unemployment Statistics (LAUS)

Current Employment Statistics (CES)

Occupational Employment Statistics (OES)

ES-202 Covered Employment and Wages

In addition to funded activities for BLS, the department also functions to provide federal required unemployment insurance reporting activities. These include data on the number of claims, characteristics, duration, and amount of payments. Certain other timeliness reports are filed such as the number of first payments made in the first 14 days after receipt of claims.

The department provides a significant amount of information on wages and labor demand/supply relationships and other availability. We work closely with the Department of Commerce

and Housing in providing support for the HPIP and SKILL program activities. We are currently working with Kansas, Inc. in providing an update to the Kansas Wage Survey which contains 500 occupations statewide and for various areas of the state. Occupational projections are also in the process of being updated to include demand occupations to the year 2005.

Unemployment Insurance Trust Fund Amount Per Covered Employee
For the Top Ten States, Kansas and U.S.
1993 4th Quarter

<u>Rank</u>	<u>State</u>	<u>Trust Fund Balance (000) a/</u>	<u>Total Covered Employment (000) b/</u>	<u>Balance Per Covered Employee</u>	<u>Average Weekly Benefit Amount</u>
N/A	<u>Total, All States</u>	<u>\$28,187,815</u>	<u>107,311</u>	<u>\$262.67</u>	<u>\$181.34</u>
1	California	2,450,402	12,009	204.05	154.37
2	New Jersey	1,965,236	3,341	588.22	240.07
3	Washington	1,743,146	2,171	802.92	209.87
4	North Carolina	1,514,674	3,152	480.54	172.48
5	Florida	1,505,570	5,461	275.69	172.13
6	Wisconsin	1,241,918	2,309	537.86	184.99
7	Pennsylvania	1,105,425	4,858	227.55	213.02
8	Oregon	1,096,695	1,266	866.27	176.70
9	Georgia	1,094,999	2,965	369.31	152.08
10	Indiana	1,024,658	2,510	408.23	153.74
16	Kansas	658,053	1,077	611.01	191.04

a/ Trust Fund Balance, CY1993

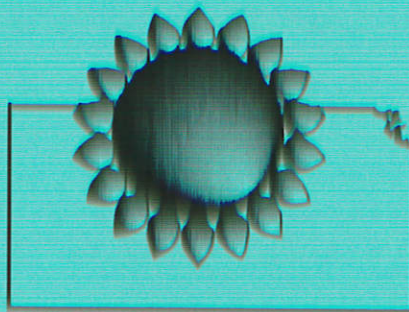
b/ Total Covered Employment, CY1993

Source: UI Data Summary; 4th Quarter CY93, 2nd Quarter CY94.
Unemployment Insurance Service (UIS),
U.S. Department of Labor

KANSAS

**EMPLOYMENT
SECURITY
ADVISORY
COUNCIL**

1994



ANNUAL REPORT

...prepared by the Kansas Department of Human Resources

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KANSAS EMPLOYMENT SECURITY

ADVISORY COUNCIL REPORT

OCTOBER 1994

**The Honorable Joan Finney
Governor
State of Kansas**

**Joe Dick, Secretary
Department of Human Resources**

**Bob Molander, Director
Division of Staff Services**

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Division of Employment**

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The Employment Security Advisory Council is composed of representatives from industry, labor, and the public to advise the Secretary of the Department of Human Resources for the purpose of meeting the goals of the Department. The 1994 Annual Report of the Kansas Employment Security Advisory Council is presented in appreciation of the work of the Council members. The current members are listed on page iii. In accordance with the Employment Security Law, the Council "...aid(s) the Secretary in formulating policies, and discussing problems related to the administration of (the) act and in securing impartiality and freedom from political influence in the solution of such problems".

Prior to and during the 1994 Kansas Legislative Session, the Council met three times. A list of changes made to the Kansas Employment Security Law by the 1994 Legislature is found on page vi.

Each year the Advisory Council reviews the status of the Employment Security Trust Fund for adequacy in meeting benefit costs. Monies from the trust fund are used for unemployment insurance payments which are intended to meet the need of workers who are displaced due to no fault of their own. This report focuses on factors which impact on the trust fund. The first section highlights trends in the level of the fund and benefit costs. Latter sections provide information about employer tax rates, and claimant benefit provisions and charges. The data selected in this report generally represent the last 10 years of experience with the unemployment insurance program in Kansas.

A handwritten signature in cursive script that reads "Joe Dick".

Joe Dick
Secretary of Human Resources

KANSAS UNEMPLOYMENT INSURANCE SFY 1994 HIGHLIGHTS

- The preliminary insured unemployment rate for SFY 1994 is 1.8 per cent, down from 1.9 per cent for SFY 1993.
- The monthly insured unemployment rates during SFY 1994 were lower than or equal to those of SFY 1993.
- All major unemployment activities experienced declines in SFY 1994 compared to SFY 1993.
- The total number of continued claims in Kansas during SFY 1994 was 1,037,264, down 5.5 per cent from the prior year.
- The number of initial claims filed by individuals previously employed in Kansas was 130,704 down over five per cent from SFY 1993.
- Total benefits of \$174.8M were the fourth highest on record, exceeded only by the amounts of \$223.1M paid in 1983, \$184.8M in 1992 and \$179.4M in 1993.
- The average weekly benefit amount was \$187.93; the maximum, \$250.00.
- The Reserve Fund balance as of June 30, 1994 was \$691.8M.
- During SFY 1994, \$572,590 was paid to claimants of the Kansas Work Share Compensation program.
- Under the Emergency Unemployment Compensation program, \$43,003,559 was paid to claimants in Kansas in SFY 1994. Benefits are paid entirely by federal funds.

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EMPLOYMENT SECURITY LAW 1994 LEGISLATIVE CHANGES

The 1994 Legislature made changes to the Kansas Employment Security Law through the passage of Senate Bills 523 and 766. A brief explanation of the major changes resulting from these bills, plus the effective date of change, is provided below.

Removes limited liability company members from coverage K.S.A. 44-703(i)(1)(c) and 44-703(i)(4)

Effective July 1, 1994, removes from the definition of employment member managers as well as any members carrying out their duties as members. If a member performs services for the limited liability company over and above their duties as a member, the services would be in covered employment and the compensation received for those services would be taxable.

Note: Non-member managers continue to be employees of the limited liability companies.

Amends the weekly benefit amount an individual can receive K.S.A. 44-704(e)(1)(c) and (e)(3).

Effective July 1, 1994, severance pay will be included as wages in the calculation of a reduction of benefits if the severance pay is paid as scheduled and all other employment benefits within the employer's control continue as though the severance had not occurred. Employment benefits within the employer's control means those benefits defined in the Federal Employee Retirement Income Security Act and which the employer has the option to continue after the employee's last day.

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SECTION I

KANSAS EMPLOYMENT SECURITY LAW

The Kansas Employment Security Law was enacted in 1937 in concurrence with the Federal Social Security Act of 1935. The Social Security Act created a federal unemployment tax, gave credit to employers against federal tax for taxes paid under certified state laws, provided for federal financing of administrative costs of state agencies, and gave autonomy over substantive elements of unemployment compensation programs to the individual states. The Kansas law was enacted to "... (encourage) employers to provide more stable employment and by systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor-relief assistance".

Although most state unemployment insurance laws have the same purpose, every state takes a different approach to meet the goal. In general the same groups of employees and employers are covered in all states. Coverage provisions of state laws are heavily influenced by the taxing provisions of the Social Security Act and by those of the Federal Unemployment Tax Act. It is the method of collecting taxes, paying benefits, and determining eligibility which generally differ from state to state. Various methods though may be the same in all states to comply with conformity and certification provisions of the federal laws.

Information about the regular Kansas program is discussed in this report. The last section addresses special compensation programs: the Kansas Shared Work Un-

employment Compensation Program, the federal Emergency Unemployment Compensation Program and the Disaster Unemployment Assistance Program.

Kansas District Unemployment Insurance Offices and their itinerant offices also administer programs for unemployed federal and military employees which are covered under Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex-Servicemen, respectively. In addition, reciprocal arrangements among state employment security agencies (SESAs) allow local Kansas offices to process joint claims and claims of other SESAs. Certain employers are approved for coverage of unemployment benefits under the Trade Readjustment Act, P.L. 97-35. Information about these programs are not covered in this report.

Coverage of Kansas employees under the Employment Security Law varied from 78.0 per cent of total employment in 1985 to 85.9 per cent in 1991 and 1993 during the 10-year period 1984-1993, as shown on Table 1. A comparison of total unemployment and insured unemployment rates for the same span of years is presented in Table 2.

On the following page Graph 1 depicts the "gap" in coverage between the total and insured unemployment rate. Starting in January 1994, a change in the methodology used to determine total unemployment numbers and rates attributed to part of the rise in the monthly total unemployment rate.

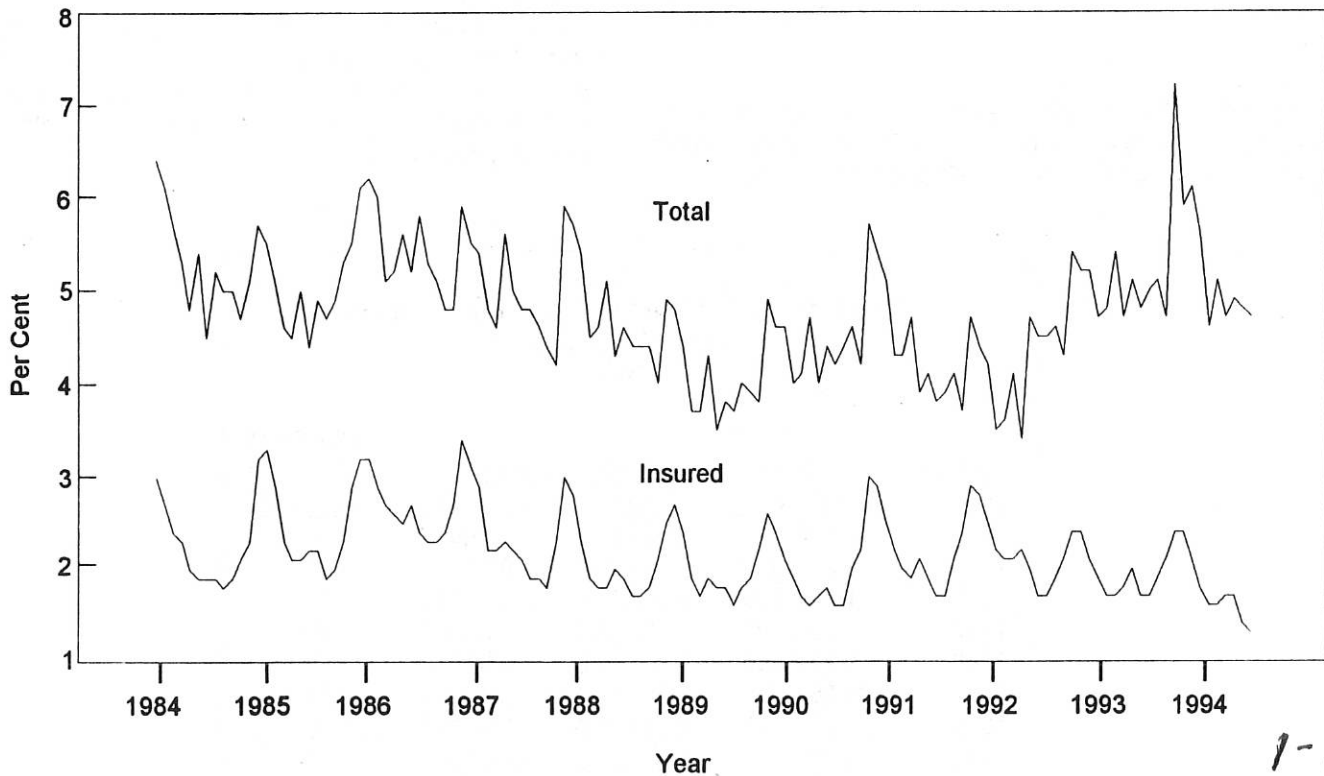
Calendar Year	Civilian Labor Force	Employment		Per Cent of Covered to Total
		Total	Covered	
1984	1,196,000	1,133,000	906,648	80.3
1985	1,237,000	1,176,000	917,273	78.0
1986	1,237,000	1,169,000	932,274	79.7
1987	1,268,000	1,205,000	951,861	79.0
1988	1,282,000	1,221,000	980,846	80.3
1989	1,284,000	1,233,000	1,007,399	81.7
1990	1,272,000	1,216,000	1,034,643	85.1
1991	1,267,000	1,211,000	1,040,285	85.9
1992	1,307,000	1,252,000	1,059,894	84.6
1993	1,318,000	1,253,000	1,076,713	85.9

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Table 2
Total Unemployment and Insured Unemployment
Annual Average
CY 1984 - 1993

Calendar Year	Unemployment				Insured to Total Per Cent
	Total		Insured		
	Number	Rate	Number	Rate	
1984	63,000	5.2	19,048	2.1	30.2
1985	62,000	5.0	21,979	2.4	35.4
1986	67,000	5.4	24,378	2.6	36.4
1987	63,000	4.9	22,393	2.4	35.5
1988	61,000	4.8	19,522	2.0	32.0
1989	52,000	4.0	19,769	2.0	38.0
1990	56,000	4.4	19,117	1.8	34.1
1991	56,000	4.4	22,673	2.2	40.5
1992	55,000	4.2	22,746	2.1	41.4
1993	66,000	5.0	19,870	1.8	30.1

Graph 1
Unemployment Rates - Insured and Total
Jan. 1984 - Oct. 1994, By Month



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SECTION II

Employment Security Trust Fund

Provisions for the Trust Fund

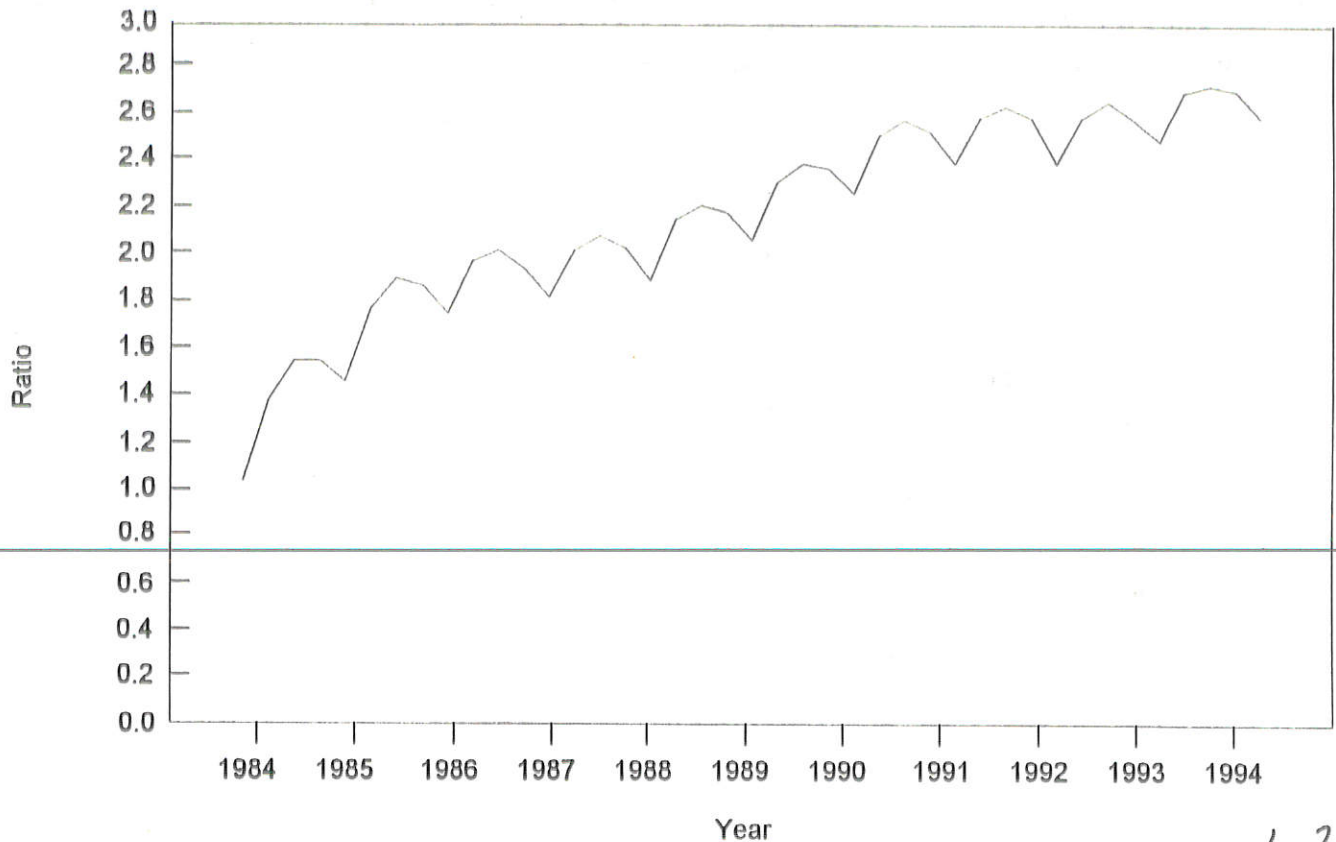
The Kansas Employment Security Fund is an account provided for in section 44-712 of the Kansas Employment Security Law. It is a special fund consisting of contributions collected from employers, interest earned, Reed Act funds, and properties and securities acquired. All monies in this fund are mingled and undivided. Money credited to this account is used primarily for the payment of claimant benefits. The Reed Act funds may be used for administrative expenses if specifically appropriated by the Kansas Legislature.

Monies in the Kansas Employment Security Fund are deposited with the Secretary of the Treasury of the United States to be credited to the Kansas account in the Federal Unemployment Insurance Fund. Interest is earned quarterly on the federal fund with each state's account credited with a pro rata share. The monies to pay benefits are requisitioned from the account in the federal fund on a daily basis.

Adequacy of the Trust Fund

At the close of the calendar year 1993, the balance of the Kansas Employment Security Fund was \$847.0M. The end-of-the-year balance has grown steadily since the 1982 - 1983 recession. The same pattern has been observed for two common measures of fund solvency, the reserve fund ratio and the high cost multiple. The reserve fund ratio is the percentage of the fund balance at a given time to wages for the preceding 12-month period. Graph 2 depicts the trend of the reserve fund ratio from 1984 to 1994. The high cost multiple is a parameter comparing the reserve fund ratio to the highest benefit cost rate during the past 15 years. Adequate levels for the reserve fund ratio and high cost multiple are considered to be 3.00 per cent, and 1.50, respectively. A comparison of the fund balance and adequacy measures is shown in Table 3 on Page 4.

Graph 2
Reserve Fund Ratio
Jan. 1984 - March 1994, By Quarter



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The high cost multiple compares current capacity of the trust fund, represented by the reserve fund ratio, with the experience of actual benefit costs in recent years. The latter is weighed according to benefit costs incurred during the recession of the early 1980's.

In recent years the reserve fund ratio has been the significant factor in the high cost multiple formula. The equation above illustrates the derivation of the high cost multiple.

$$\text{High Cost Multiple} = \frac{\text{Reserve Fund Ratio (current)}}{\text{Benefit Cost Rate (high)}} = \frac{\frac{\text{Reserves Available (current)}}{\text{Total Wages}}}{\frac{\text{Benefits Paid (high)}}{\text{Total Wages}}}$$

The benefit cost rate in effect at this time is 1.794. This figure is the benefit cost rate of the 12-month period ending the first quarter of CY 1983, the period of the highest outlay of benefits to total wages of insured employees within 15 years. The benefit cost rate will not change unless: 1) a four quarter period with a higher benefit cost rate occurs, or 2) 15 years has elapsed since the 1983 high benefit cost rate went into effect. If the latter occurs, a new high benefit cost rate will be calculated in 1998.

If the reserve fund ratio and the benefit cost rate were the same, then the high cost multiple would be 1.0.

$$\text{High Cost Multiple} = \frac{\text{Reserve Fund Ratio (current)}}{\text{Benefit Cost Rate (high)}} = \frac{1.794}{1.794} = 1.0$$

In essence, if the high cost multiple were 1.0, the reserves available would be equal to a 12-month period, or 1.0 year, of high benefit costs relative to total wages. The high cost multiple at the end of CY 1993 was 1.5, indicating the reserves available at that time could withstand 18 months of high benefit costs, relative to total wages. Graph 3 on page 5 depicts the high cost multiple from 1984 to 1994.

The reserve fund ratio is considered to be at a desirable level at 3.0--when the reserves available are three per cent of total wages. The minimum safe level for the high cost multiple is 1.5. At these desired levels, reserves would be considered sufficient for high benefit cost rates up to and including 2.0 per cent. The Kansas trust fund financing method is based on an annually calculated planned yield to bring the reserve fund ratio to 3.0 per cent.

Fund Balance Movements

The 1980's commenced with a relatively stable fund balance. With the onset of the recession of 1982-1983, the fund balance dropped dramatically. Law changes enacted by the 1983 Legislature, using recommendations of the Advisory Council, checked the downward movement that year. Since the recession, the fund has experienced steady growth. From December 31, 1984 through December 31, 1993 the fund balance rose \$412.3M, or 175.7 per cent. During that period, a total of \$344.4M in interest was earned. The remaining growth was due to contributions exceeding benefits.

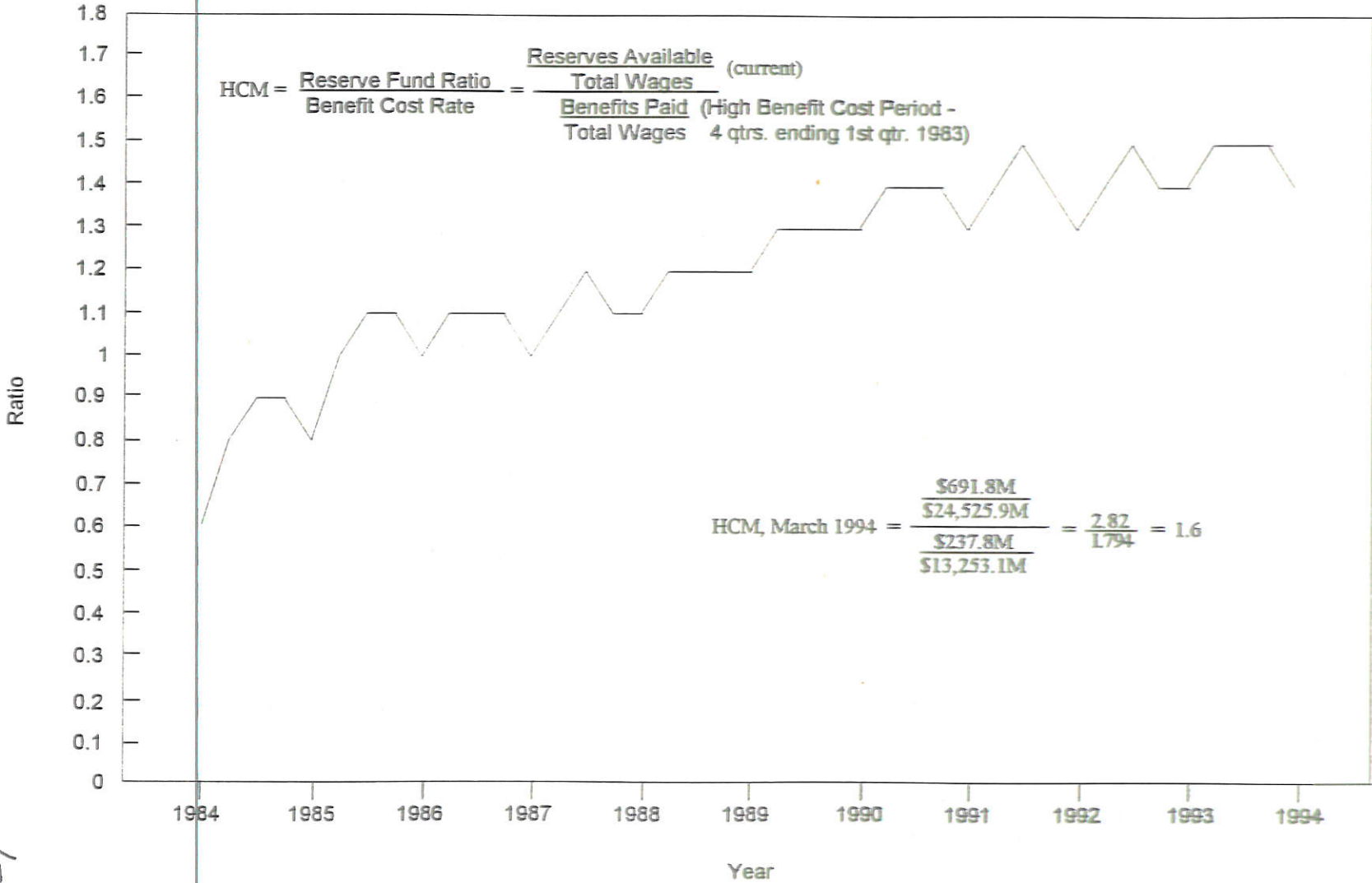
The reserve fund ratio statistic used in measuring fund adequacy has been above the desired 3.000 per cent for purposes of rate calculations since 1990. Therefore, contributions received have leveled off during recent years and most growth has been due to interest earned. Table 4 shows the amount of benefits, contributions, interest earned, and the average interest rate from 1984 to 1994. The level of benefits to annual contributions and interest earned is shown in Graph 4.

Table 3
Trust Fund Adequacy Measures
CY 1984 - 1993

Calendar Year	Total Wages Insured Employment (millions)	Reserve Fund Balance (millions)	Reserve Fund Ratio	High Cost Multiple
1984	\$15,009.4	\$234.7	1.56	0.9
1985	15,710.7	295.7	1.88	1.1
1986	16,552.8	322.7	1.95	1.1
1987	17,386.8	355.0	2.04	1.1
1988	18,437.0	404.4	2.19	1.2
1989	19,421.5	461.7	2.38	1.3
1990	20,721.5	526.9	2.54	1.4
1991	21,575.7	560.3	2.60	1.4
1992	23,000.4	595.2	2.59	1.4
1993	23,803.9	647.0	2.72	1.5

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Graph 3
High Cost Multiple
Jan. 1984 - June 1994, By Quarter



The amount of annual contributions in relation to total wages of contributing employers has declined steadily since the recession in the early 1980's. The level of benefits relative to total wages has been close to that of contributions, as shown on Graph 5.

The movement of the trust fund balance by month for CY 1992, CY 1993, and the completed portion of CY 1994 is presented on Graph 6. The fund level tends to peak in the second and third calendar quarters when the majority of contributions are received. Contributions are based on the first \$8,000 of annual salary and are due on or before the 25th day following the close of the calendar quarter. With the average annual wage in Kansas approximately \$22,000, a majority of individuals have earned \$8,000 in the first two calendar quarters. Therefore, the greatest amount of contributions are charged during those periods. The end of calendar year balance is used as a measure for year to year movement of the fund level.

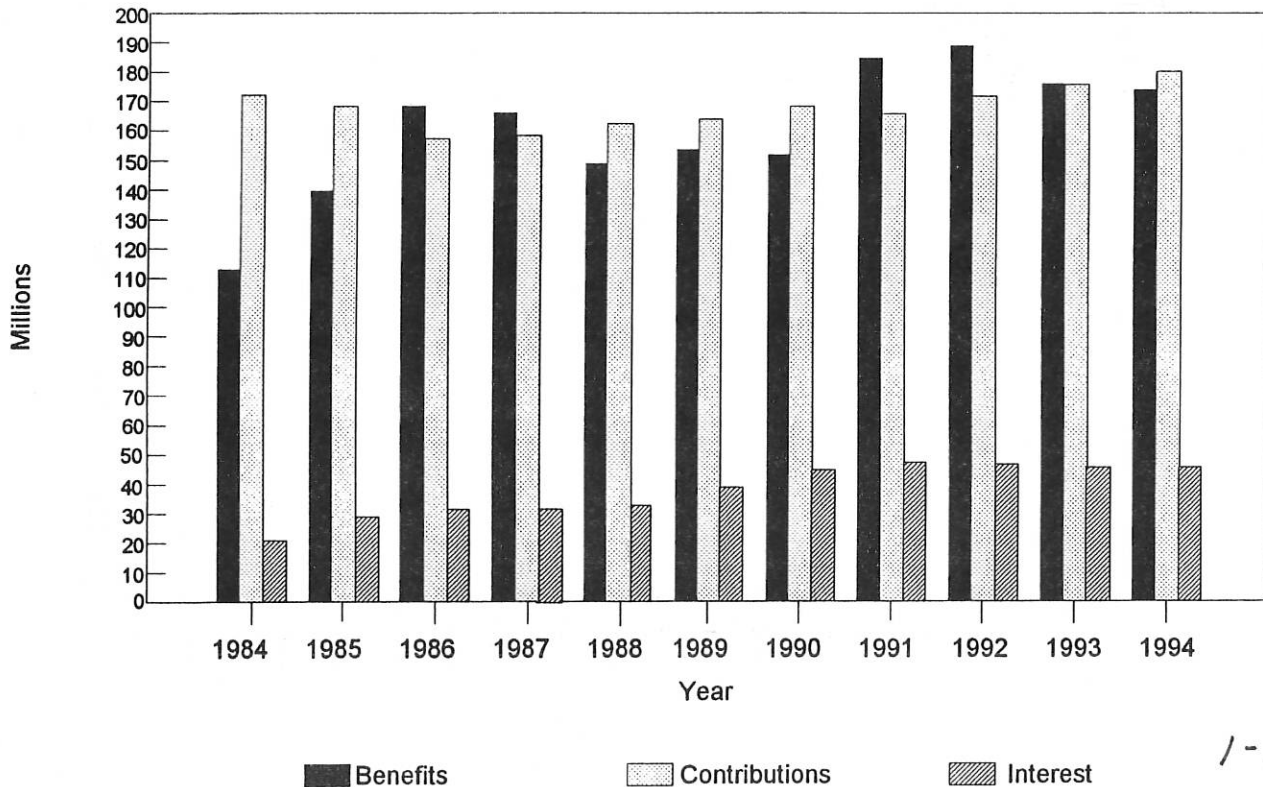
Table 4
Benefits, Contributions, and Interest
CY 1984 - 1994

Calendar Year	Benefits Paid (millions)	Contributions Received (millions)	Interest Earned 1/	
			Amount (millions)	Per Cent
TOTAL	\$1,764.1	\$1,841.7	\$410.4	8.73%
1984	112.8	172.2	20.6	10.18
1985	139.7	167.9	28.2	10.34
1986	168.4	157.0	31.1	9.77
1987	166.1	158.3	30.9	8.99
1988	148.9	162.1	32.8	8.51
1989	153.4	163.6	38.5	8.74
1990	152.0	168.2	44.4	8.81
1991	184.5	165.6	46.8	8.61
1992	188.7	171.4	46.1	7.97
1993	175.9	175.5	45.5	7.29
1994(est.)	173.8	180.0	45.5	6.77

N/A Not Applicable.

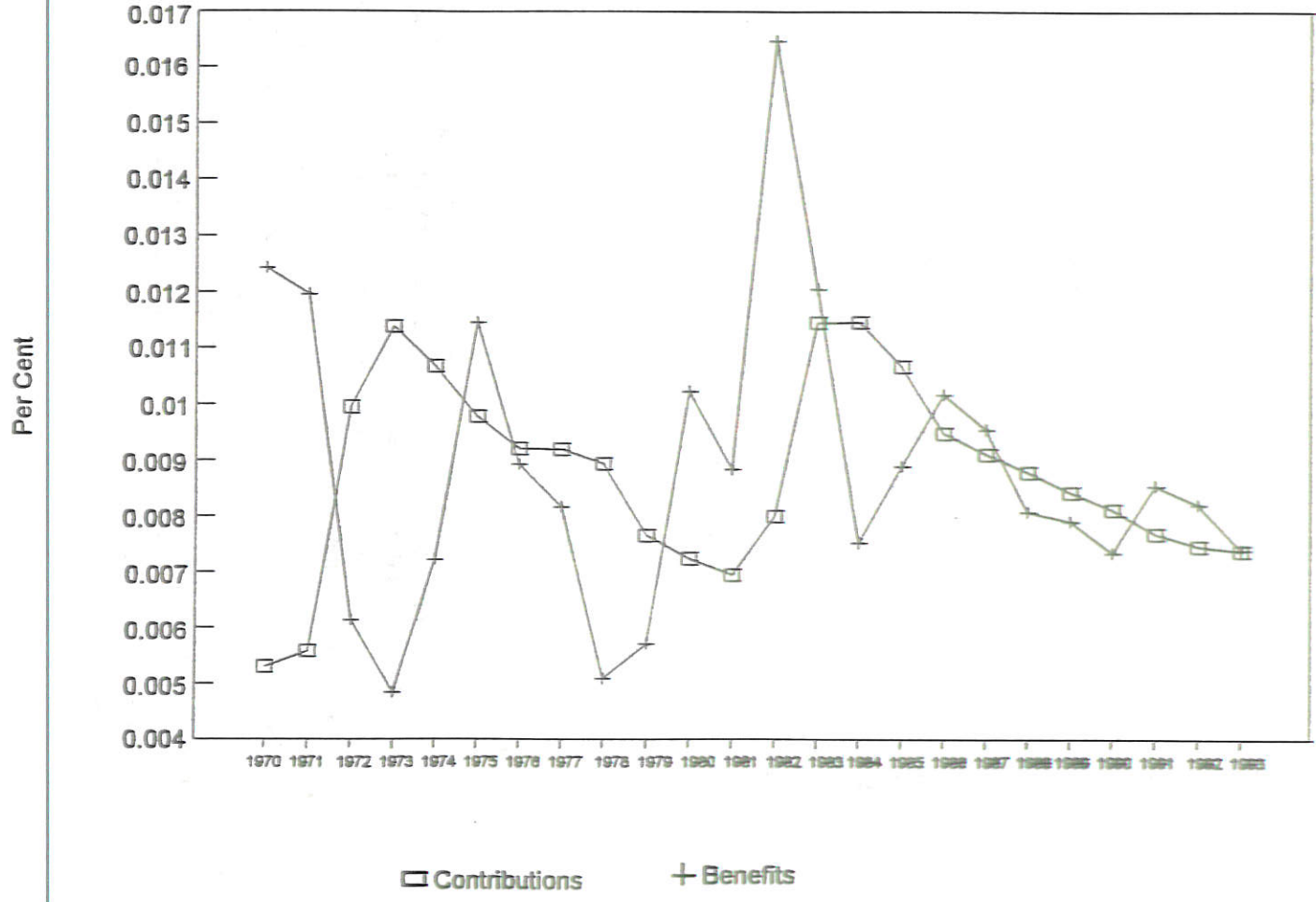
1/ The per cent of interest earned to the average fund balance is calculated by dividing the amount of interest earned in a year by the average of the 12 end-of-month fund balances, and multiplying times 100.

Graph 4
Benefits, Contributions, and Interest
CY 1984 - 1994

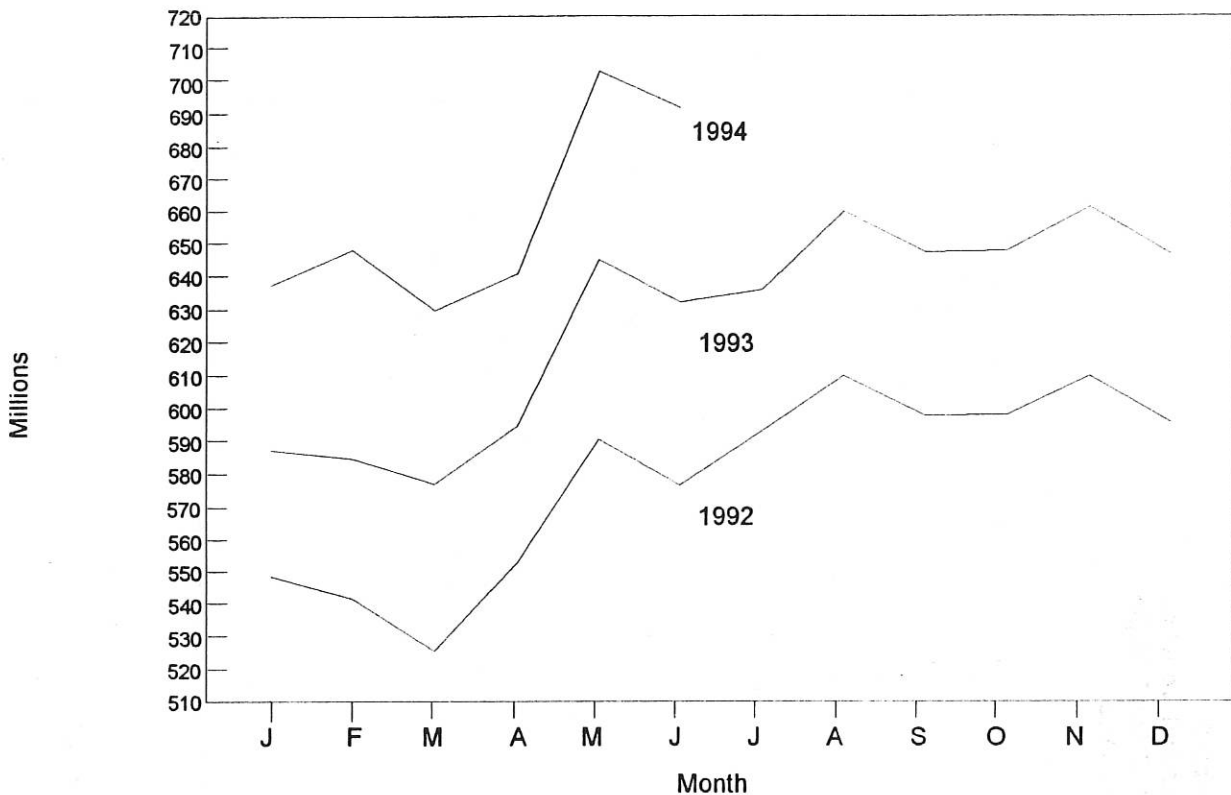


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Graph 5
Contributions and Benefits
As a Per Cent of Total Wages
1970 - 1993



Graph 6
Trust Fund Balance By Month
CY 1992 - 1994



Fund Balance Projections

There are three principal components affecting the fund balance: benefits paid, contributions received, and interest earned. For fiscal years 1995 and 1996, the insured unemployment rate is projected to be 1.9 per cent. This rate reflects an estimated \$186.0M in benefits in fiscal year 1995 and \$194.0M in 1996. These compare to \$174.8M in fiscal year 1994.

To finance benefits paid to claimants, taxes, generally referred to as contributions, are collected from employers. In fiscal year 1995 contributions are projected to be \$164.2M. Total payments made by reimbursing and rated governmental employers are not as easily projected as

those from contributing employers, but generally are approximately \$3.0M per year. Additional income to the fund will come from interest earned on the fund balance, an estimated \$45.0M to \$50.0M per year.

In fiscal year 1996, contributions are expected to be \$184.2M. With the fund balance of \$691.8M at the end of fiscal year 1994, the above figures would yield estimated balances at the end of fiscal year 1995 and fiscal year 1996 of \$715.0M - \$720.0M and \$750.2M - \$760.2M, respectively. The estimates are shown as a range due to two figures used for interest earned.

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SECTION III

Kansas Finance Plan

Introduction

The Kansas method of financing the Employment Security Fund is based on the reserve ratio system of experience rating. The reserve ratio system is the most common method of experience rating, and is used by 32 other states. This section includes a description of the three types of employer accounts for purposes of financing the trust fund. It also describes how an annual planned yield is determined and how employer tax rates are derived. The effect of 1993 Legislative action to reduce employer contributions is discussed. The latter portion of this section presents information about taxable wages, the taxable wage base, and tax rates for contributing employer accounts.

Employer Accounts

The principal source of income for the unemployment insurance trust fund is taxes paid by employers. In Kansas they are collected from three groups of employers generally classified as contributing, reimbursing, and rated governmental.

1. Regular Contributing Accounts. These are the "experience rated" accounts which have rates computed based on the position of the reserve ratio of the individual account relative to the reserve ratios of all contributing accounts. Employer accounts in this category make up approximately 95 per cent of all accounts under Kansas law.
2. Reimbursing. These employer accounts must be either private nonprofit organizations as defined by the Internal Revenue Code, Section 501(c)(3) or governmental units of this state or one of its political subdivisions. Employers participating under this provision are required to reimburse the state trust fund for benefit charges, dollar for dollar.
3. Rated Governmental. These employers must be government units. Government employers electing this option receive a rate based on an individual experience factor, which is benefits charged divided by two years of total wages. This factor, expressed as a decimal, is then adjusted by the benefit cost rate of all government employers.

Contributions from reimbursing and rated governmental employers offset identical or nearly identical amounts of benefit payments. Total contributions from all contributing employers vary depending on several factors, including the amount of total wages of Kansas employers and the balance of the Kansas Employment Security Fund.

Advisory Council Report

Experience Rating

Experience rating is a method of assigning unemployment insurance tax rates to individual employers based on some measure of the level of unemployment experienced by employees. Kansas uses the reserve ratio method of experience rating. This system is essentially cost accounting with a bookkeeping account kept for each employer. Each employer record contains all contributions paid, all benefits charged, and the employer's payroll. A reserve ratio is calculated by subtracting total benefits charged from total contributions paid and dividing the difference, positive or negative, by the average annual payroll. The average annual payroll is the average taxable wages for the last three calendar years, or two if the employer was new and has paid covered wages during the two years prior to the rate computation date of June 30.

$$\text{Reserve Ratio} = \frac{\text{Contributions} - \text{Benefits}}{\text{Average Annual Taxable Payroll}}$$

Contribution Rates

For the purpose of tax rate computation in Kansas, contributing employers can be basically classified as new employers and eligible employers. New, or ineligible employers, have had less than 24 consecutive months immediately preceding the annual June 30 computation date throughout which benefits could have been charged to the account. Tax rates of new employers are calculated

Industry	Tax Rate
Mining	3.98
Construction	5.09
Manufacturing	3.64
All other Employers	3.43

as one per cent plus the greater of either 1) the average rate for all employers or 2) the average for employers in the same industry division during the calendar year prior to the rate computation date. In addition, a new employer rate

cannot be less than two per cent. Table 5 shows tax rates for new employers for calendar year 1994.

When a firm has been subject to the law for the required period of time, it is classified as eligible for a tax rate based on a reserve ratio of the individual employer account. If total benefits charged exceed total contributions paid, such employer is defined as a negative balance employer. The tax rate of a negative balance employer is set by statute as 5.40 per cent plus a surcharge dependent upon

the size of the negative reserve ratio. Table 6 gives the schedule of negative balance employer account rates.

If contributions exceed benefits charged, the employer is classified as positive eligible. For the purpose of assigning tax rates, positive eligible employers are divided into equal groups based on taxable wages and the reserve ratio of the individual employers. For calendar year 1990, the number of groups was 21. Starting with rate year 1991, the number of groups is 51. Table 7, on the following page, gives the contribution rates for 1994.

Rate groups are provided for in Schedule I - Eligible Employers, K.S.A. 44-710a(1)(D). This schedule is centered at an experience factor of 1.00. The contribution rate for each group is determined by multiplying the respective experience factor times the average percentage of required contributions on taxable wages of positive eligible employers. For rate year 1994, the average percentage was 1.930.

Employers may make a voluntary contribution to lower tax rates from one to five rate groups. Information is provided on the annual Experience Rating Notice which indicates the contribution amounts required at various rate reduction options.

Planned Yield for Contributing Accounts

A total amount of contributions, or planned yield for contributing employer accounts is estimated each year

prior to rate calculations. Due to the offset nature of reimbursing and rated governmental accounts, the estimate does not include these accounts. The 1993 Kansas Legislature amended the fund control schedule in K.S.A. 44-710 to reduce contributions from employers by 10 per cent. Although insufficient time has passed to make a study of the effect of this change, first quarter employer contributions in 1993 were nearly \$.5M, or 0.6 per cent, lower than the prior year's first quarter amount. An increase in the level of taxable wages moderated the overall reduction of employer contributions. The following steps describe: 1) the manner in which an annual planned yield is determined, and 2) how contribution rates for positive eligible accounts are derived.

- A reserve fund ratio is calculated by dividing the balance of the trust fund as of July 31 by the total wages of contributing employers for the preceding fiscal year.
- Using Schedule III, Fund Control Ratios to Total Wages, K.S.A. 44-710a(3)(A), a planned yield of the percentage of total wages is selected respective to the reserve fund ratio. Schedule III is centered to yield .9 per cent of total wages at a reserve fund ratio of 3.0 per cent.
- The planned yield on total wages is adjusted to taxable wages by using the ratio of total to taxable wages.

Table 6
Negative Balance Account Rates

<u>Negative Reserve Ratio</u>	<u>Rate</u>	<u>Surcharge</u>	<u>Effective Rate</u>
Less than 2.0%	5.40%	0.10%	5.50%
2.0 but less than 4.0	5.40	0.20	5.60
4.0 but less than 6.0	5.40	0.30	5.70
6.0 but less than 8.0	5.40	0.40	5.80
8.0 but less than 10.0	5.40	0.50	5.90
10.0 but less than 12.0	5.40	0.60	6.00
12.0 but less than 14.0	5.40	0.70	6.10
14.0 but less than 16.0	5.40	0.80	6.20
16.0 but less than 18.0	5.40	0.90	6.30
18.0 and over	5.40	1.00	6.40

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Table 7
Positive Balance Account Rates
CY 1994

<u>Rate Group</u>	<u>Reserve Ratio (lower limit)</u>	<u>Experience Factor</u>	<u>Number of Employers</u>	<u>Contribution Rate</u>
1	.24885	.025%	4,571	.05
2	.22247	.04	2,415	.08
3	.21212	.08	1,854	.15
4	.20498	.12	1,582	.23
5	.20079	.16	1,248	.31
6	.19710	.20	1,392	.39
7	.19456	.24	1,302	.46
8	.19270	.28	844	.54
9	.19122	.32	707	.62
10	.18928	.36	857	.69
11	.18802	.40	527	.77
12	.18677	.44	557	.85
13	.18588	.48	400	.93
14	.18494	.52	464	1.00
15	.18357	.56	592	1.08
16	.18302	.60	243	1.16
17	.18209	.64	376	1.24
18	.18081	.68	661	1.31
19	.18008	.72	219	1.39
20	.17863	.76	588	1.47
21	.17713	.80	569	1.54
22	.17566	.84	583	1.62
23	.17452	.88	479	1.70
24	.17343	.92	392	1.78
25	.17244	.96	345	1.85
26	.17067	1.00	652	1.93
27	.16935	1.04	421	2.01
28	.16696	1.08	682	2.08
29	.16537	1.12	483	2.16
30	.16395	1.16	402	2.24
31	.16194	1.20	576	2.32
32	.15968	1.24	593	2.39
33	.15712	1.28	680	2.47
34	.15458	1.32	647	2.55
35	.15119	1.36	789	2.62
36	.15060	1.40	113	2.70
37	.14863	1.44	444	2.78
38	.14581	1.48	639	2.86
39	.14262	1.52	690	2.93
40	.14039	1.56	546	3.01
41	.13593	1.60	884	3.09
42	.13119	1.64	932	3.17
43	.12606	1.68	927	3.24
44	.11983	1.72	948	3.32
45	.11302	1.76	850	3.40
46	.10338	1.80	1,000	3.47
47	.09331	1.84	1,148	3.55
48	.08081	1.88	1,115	3.63
49	.06069	1.92	1,117	3.71
50	.03808	1.96	841	3.78
51	.00000	2.00	2,150	3.86

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**Table 8
Planned Yield
Contributing Employer Accounts
CY 1994 Rate Year**

A. Reserve fund balance, July 31, 1993	\$666,700,054
B. Payrolls, fiscal year ended June 30, 1993	
1. Total	\$18,586,889,004
2. Taxable	\$6,679,954,047
C. Ratio of fund balance to total payrolls	3.587%
D. Required total yield for 1994	
1. Ratio of total wages	0.79%
2. Ratio of total wages to taxable wages	2.78
3. Average rate for taxable wages (all accounts)	2.20%
4. Total planned yield	\$147,000,000
E. Required yield for positive eligible accounts	
1. Total planned yield	\$147,000,000
2. Estimated yield - ineligible accounts	\$10,715,859
3. Estimated yield - negative balance accounts	\$22,362,093
4. Planned yield - positive eligible accounts	\$113,922,048
F. Rate adjustment, positive eligible accounts	
1. Taxable payrolls, active accounts	\$5,909,084,116
2. Required contributions	\$113,922,048
3. Average Rate Required	1.928%
4. Average estimate yield (array)	0.999% a/
5. Adjustment factor	1.930%

a/ This is a calculated estimate of the average yield corresponding to wage groups.

The following steps describe the manner in which an annual planned yield for positive eligible accounts is determined:

- Estimates of contributions from ineligible accounts are deducted from the total planned yield.
- Estimates of contributions from negative balance accounts are deducted from the total planned yield.

Contribution rates for ineligible and negative balance accounts are for the most part "fixed" and set by statute. The remainder of the planned yield establishes the basis for derivation of the contribution rates for positive eligible accounts.

- An average contribution rate for positive eligible accounts is calculated by dividing the remaining amount of planned yield by the taxable wages of positive eligible accounts.
- The average contribution rate is adjusted by the average estimated yield of each of the 51

wage groups, or array of taxable accounts. These adjusted rates are the annual contribution rates for positive eligible accounts.

Table 8 illustrates the figures used in calculating the planned yield for the CY 1994 rate year.

Taxable Wages and Tax Rates

Since 1984, the taxable wage base in Kansas for the unemployment insurance program has been the first \$8,000 of wages of covered work for an individual. The federal tax base is \$7,000. By public law, states must have a tax base at least equal to the federal base. Table 9 summarizes the changes in the taxable wage base from 1940. The average annual wage for covered employees is shown on Table 9 to provide a relative measure for the size of the wage base.

Total and taxable wages from 1984 to 1993 are listed on Table 10 for all covered employers and the portion

attributable to employers which have contributing accounts. Since 1984 there has been a decline in the percentage of taxable wages to total wages.

The range of tax rates for contributing employer accounts from 1984 to 1994 is shown on Table 11. The minimum rate applies to all contributing accounts. The maximum rate of 6.40 applies only to contributing accounts with a negative balance. Tax rates for contributing employers during the last 11 years ranged from a low minimum rate of 0.05 per cent to a high maximum rate of 6.40 per cent as shown in Table 11. The lowest overall rates of this period were during the last four years. Rates rose significantly in 1982 and peaked during 1983.

**Table 9
Taxable Wage Base
Kansas 1940 - Present**

<u>Time Period</u>	<u>Taxable Wage Base</u>	<u>Average Annual Wage, 1st Year</u>	<u>Wage Base as Per Cent of Average Annual Wages</u>
1940 - 1971	\$3,000	\$1,201	249.8%
1972 - 1977	4,200	6,949	60.4
1978 - 1982	6,000	10,986	54.6
1983	7,000	15,750	44.4
1984 - 1993	8,000	16,547	48.3
1993 a/	8,000	22,108	36.2

a/ 1993 data are provided for purposes of comparison.

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Table 10
Total and Taxable Wages
Total and Contributing Employers
CY 1984 - 1993
(millions)

Calendar Year	All Employers			Contributing Employers		
	Total	Taxable		Total	Taxable	
		Amount	Per Cent of Total		Amount	Per Cent of Total
1984	\$15,009.4	\$7,396.5	49.3	\$12,336.4	\$5,601.8	45.4
1985	15,710.7	7,261.5	46.2	12,838.5	5,616.6	43.7
1986	16,552.8	7,484.3	45.2	13,475.5	5,719.7	42.4
1987	17,386.8	7,712.5	44.4	14,178.5	5,876.3	41.4
1988	18,437.0	7,965.2	43.2	15,049.3	6,023.3	40.0
1989	19,421.5	8,294.2	42.7	15,706.1	6,220.3	39.6
1990	20,721.5	8,696.9	42.0	16,726.9	6,478.6	38.7
1991	21,575.7	8,872.2	41.1	17,319.6	6,526.4	37.7
1992	23,000.4	9,182.9	39.9	18,493.5	6,708.1	36.3
1993	23,803.9	9,526.7	40.0	19,083.8	6,891.1	36.1

Table 11
Range of Tax Rates
for Contributing Employers
CY 1984 - 1994

Calendar Year	Minimum Rate	Maximum Rate		Average Rate	
		All	Positive Eligible	All	Positive Eligible ^{1/}
1984	0.06	6.40	5.13	2.87	2.567
1985	0.06	6.40	4.80	2.74	2.398
1986	0.06	6.40	4.40	2.54	2.204
1987	0.06	6.40	4.42	2.50	2.209
1988	0.05	6.40	4.40	2.48	2.195
1989	0.06	6.40	4.50	2.51	2.248
1990	0.06	6.40	4.41	2.43	2.201
1991	0.05	6.40	4.24	2.36	2.116
1992	0.05	6.40	4.32	2.39	2.158
1993	0.05	6.40	4.32	2.40	2.159
1994	0.05	6.40	3.86	2.20	1.930

^{1/} The average rate for positive eligible accounts is shown at the three-digit level used in the actual computation of rates.

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SECTION IV

Unemployment Insurance Benefits

Weekly Benefit Amount (WBA)

Payments made to claimants entitled to unemployment insurance are generally known as benefits and are payable on a weekly basis. A claimant is paid a weekly benefit amount computed as 4.25 per cent of the wages in the quarter of the base period with the highest amount of insured earnings. The determined weekly benefit amount has maximum and minimum limits prescribed by law. The maximum weekly benefit amount is set each fiscal year as 60 per cent of the statewide average weekly wage for the immediately preceding calendar year. The minimum is 25 per cent of the maximum. Table 12 shows the minimum, maximum, and average benefit amounts for state fiscal years 1984 to 1995.

A temporary freeze was placed on the maximum in FY 1983 and FY 1984 to allow the fund balance to recover following the 1982-1983 recession. From 1984 to 1995 the minimum was up 58 per cent and the maximum, 56 per cent. The average was up 49 per cent from 1984 to 1994. The average has increased at a slower rate than the maximum, in part due to a decrease in the percentage of claimants eligible for the maximum benefit. In 1980, more than 50 per cent of all claimants were eligible for the

maximum payment compared to nearly 36 per cent in 1994.

Benefit Entitlement and Eligibility

All determinations of entitlement and eligibility are based on individual employment history. To be eligible for benefits, an individual must have earned wages in two or more quarters in a base period and have had total wages in the base period of at least 30 times the determined WBA. The base period is the first four of the last five completed calendar quarters prior to the filing of a new claim. A claimant must also satisfy a requirement of one waiting week of unemployment prior to receiving a benefit payment. A claimant may earn 25 per cent of the determined weekly benefit amount before a deduction is made for earnings from employment.

The total amount of wages in the base period determines the potential duration or number of weeks of entitlement. This potential duration is calculated as the lesser of 26 times the WBA, or one-third of the wages for insured work paid during the base period. A majority of claimants return to work, thus becoming ineligible, before exhaust-

Table 12
Weekly Benefit Amount
Minimum, Maximum, and Average
SFY 1984 - 1995

<u>Fiscal Year</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
1984	\$40.00	\$163.00 ^{a/}	\$126.41
1985	43.00	175.00 ^{a/}	131.87
1986	47.00	190.00 ^{a/}	142.78
1987	49.00	197.00	151.75
1988	51.00	204.00	159.25
1989	52.00	210.00	161.77
1990	54.00	216.00	166.27
1991	55.00	222.00	170.27
1992	57.00	231.00	172.74
1993	59.00	239.00	180.01
1994	62.00	250.00	187.93
1995	63.00	255.00	N/A

N/A Not Available.

^{a/} A temporary freeze on the maximum weekly benefit amount was in effect in 1984, 1985, and 1986. The 1986 calculation was the same figure as the frozen maximum allowable amount.

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Table 13
Average Duration (weeks)
Potential and Actual
CY 1984 - 1993

Calendar Year	Potential Average Duration	Actual Average Duration	
		All Claimants	Exhaustees
1984	22.5	12.8	21.3
1985	22.8	12.7	21.1
1986	22.7	13.8	21.5
1987	22.8	14.8	22.0
1988	22.8	13.2	21.5
1989	22.8	13.5	21.4
1990	22.7	13.8	21.8
1991	22.8	14.5	21.7
1992	22.7	15.2	21.8
1993	22.8	15.2	22.1

ing benefit entitlement. Many claimants are laid off for only a short period of time and receive only a week or two of benefits. Some are off work for only one week and satisfy the waiting period requirement but never receive benefits. As a result of these short term layoffs, a gap exists between the potential and actual duration as shown in Table 13. Included in Table 13 is the average number of weeks of duration for claimants who exhausted benefit payments. The difference between the potential and actual duration tends to lessen in periods of recessions.

Annual Trend in Claims and Benefit Payments

During the last 10 years, an average of nearly 22,000 continued claims per week have been filed by Kansas workers. Nearly \$1.8B in unemployment insurance benefits have been paid. The total amount of annual benefits is dependent on several factors. The number of individuals claiming unemployment insurance is the most significant. Other major factors include the average duration and the average weekly benefit amount. Table 14 presents principal claims and benefit activities for 1984 through 1993.

A measure which is used to gauge the extent to which unemployment benefits replace regular wages is a comparison of the average WBA to the average weekly wage of all covered workers. This comparison is shown as a percentage in Table 15. During the last 10 years, the lowest and highest replacement percentages were 39.9 per cent in 1984 and 44.5 per cent in 1987. In 1984, a freeze on the maximum weekly benefit amount contributed to the lower level of wage replacement.

Table 14
Selected Statistics of Insured Workers
CY 1984 - 1993

Calendar Year	Initial Claims	Continued Claims	Total Benefits	Average Insured Unemployment Rate 1/	Average Duration (weeks)	Average Weekly Benefit Amount
1984	154,662	1,011,577	\$112,824,942	2.1	12.8	127.02
1985	176,520	1,182,123	139,744,391	2.4	12.7	136.45
1986	184,017	1,279,267	168,446,515	2.6	13.8	147.42
1987	161,211	1,170,859	166,061,153	2.4	14.8	156.26
1988	149,245	1,044,004	148,872,693	2.0	13.2	159.24
1989	167,882	1,050,640	153,437,954	2.0	13.5	164.12
1990	162,667	1,019,353	151,959,998	1.8	13.6	167.44
1991	169,861	1,217,312	184,522,340	2.2	14.5	171.98
1992	149,902	1,198,787	188,709,911	2.1	15.2	175.11
1993	130,301	1,051,945	175,925,793	1.8	15.2	184.77

1/ The insured unemployment rate is the percentage of total weeks claimed (waiting weeks plus compensable weeks claimed) to the covered workforce.

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Table 15
Comparison of the Average Weekly Benefit Amount
to the Average Weekly Wage
CY 1984 - 1993

<u>Calendar Year</u>	<u>Average Weekly Benefit Amount (WBA)</u>	<u>Average Weekly Wage 1/</u>	<u>Per Cent of Average WBA to Average Weekly Wage</u>	<u>Annual Change of Per Cent</u>
1984	\$ 127.02	\$ 318.22	39.9 %	-2.6
1985	136.45	329.37	41.4	1.5
1986	147.42	341.45	43.2	1.8
1987	156.26	351.27	44.5	1.3
1988	159.24	361.57	44.0	-0.5
1989	164.12	370.75	44.3	0.3
1990	167.44	385.15	43.5	-0.8
1991	171.98	398.85	43.1	-0.4
1992	175.11	417.32	42.0	-1.1
1993	184.77	425.15	43.5	1.5

1/ The average weekly wage is computed by dividing the gross wages reported as paid for insured work during the calendar year prior to the calculation date by the average monthly employment and dividing by 52 weeks.

Charged and Noncharged Benefits

Unemployment insurance benefits paid to claimants are generally chargeable to the account of former employers. These charges are in proportion to the wages paid to the claimant by base period employers. Under certain circumstances the employer reserve account is not charged. Benefits which are not charged to specific

employer accounts must be financed by all employers on a socialized basis.

During FY 1993 \$144,683,134 of the total benefit payments of \$170,216,416 were charged to employer accounts. This represents 85.0 per cent of all payments.

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SECTION V

Special Unemployment Compensation

Shared Work Unemployment Compensation

The Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248) directed the U.S. Department of Labor to develop model legislation to be used by states to establish "worksharing" programs. The 1988 session of the Kansas legislature enacted the Shared Work Unemployment Compensation Program, K.S.A. Sec. 44-757. In accordance, shared work plans were first allowed in Kansas as of April 1, 1989. The effect of a worksharing program is to allow an employer to lay off workers for a portion of a week. These workers are entitled to unemployment benefits for the days they are laid off.

A Shared Work plan expires on the last day of the 12th full calendar month after the effective date of the plan. Many of the approved plans in the years following 1989 are renewals of prior year plans. A plan may be for a specified department, shift, or other work group within a company.

As of June 30, 1994, a total of 529 Shared Work plans have been approved in Kansas since the start of the program. The affected employees were paid a total of \$4,800,791. A comparison of shared work activities by year are shown in Tables 16 and 17.

**Table 16
Shared Work Program
CY 1989 - 1994**

<u>Calendar Year</u>	<u>Approved Plans</u>	<u>Individuals Affected</u>	<u>Initial Claims</u>	<u>Weeks Claimed</u>	<u>First Payments</u>	<u>Amount of Payments</u>
Total	529	22,453	23,729	115,903	10,325	\$ 4,800,791
1989 <i>a/</i>	43	1,481	578	3,548	434	184,993
1990	55	4,880	4,503	14,958	1,219	594,259
1991	108	5,785	10,123	38,574	3,882	1,485,970
1992	163	5,083	4,395	29,779	2,728	1,228,521
1993	92	3,023	2,785	21,831	1,552	932,738
1994 <i>b/</i>	68	2,221	1,345	7,415	732	374,310

a/ Data is for August through December 1989.

b/ Data is as of June 30, 1994.

**Table 17
Shared Work Plans
By Major Industry Division
CY 1989 - 1994**

<u>Industry Division</u>	<u>Total</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994 <i>a/</i></u>
Total	529	43	55	108	163	92	68
Agriculture, Forestry, Fishing	20	2	1	5	3	5	4
Mining	7	0	0	0	2	3	2
Construction	32	4	4	6	7	6	5
Manufacturing	331	21	35	62	116	53	44
Transportation, Communication, Electric, Gas, & Sanitary Service	8	0	0	4	1	1	2
Trade	48	12	3	14	9	7	3
Finance, Insurance, & Real Estate Services	21	0	6	6	6	1	2
	62	4	6	11	19	16	6

a/ Data as of June 30, 1994.

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Emergency Unemployment Compensation

Emergency Unemployment Compensation (EUC) was a temporary extended benefit program fully funded by the federal government. The guidelines for eligibility were the same as those of the permanent Federal-State Extended Unemployment Compensation Act of 1970, commonly referred to as the Extended Benefit (EB) program. From its inception in November 1991 through October 1994, a total of 91,689 initial claims were filed for EUC. First payments were made to 59,756 individuals with a total of \$162,866,052 paid for the 931,766 weeks claimed. A breakdown of unemployment insurance activity for the EUC program is shown in Table 18.

Disaster Unemployment Assistance

Disaster Unemployment Assistance (DUA) is a special program funded by the Federal Emergency Management (FEMA) to provide monetary assistance to individuals unemployed as a result of a major disaster. The disaster must be authorized by the President in accordance with the Disaster Relief Act of 1974 as revised in August 1981. DUA benefits are designed to be payable to individuals not eligible for regular state or Federal UI benefits, such as individuals with insufficient wages, exhaustees, and the self-employed, including farmers.

Disasters covered by FEMA and DUA are generally "acts of God" such as floods, tornadoes, hurricanes, earthquakes, etc. The latest disaster to be declared in Kansas was flooding due to rain in the spring and summer of 1993. President Clinton declared several counties in northeast and north central Kansas to be major disaster areas on July 22, 1993. Eventually 57 Kansas counties were included in the program.

A total of 593 individuals filed for DUA. Of this number, 443 individuals were declared eligible and 414 actually received payments. A total of 6,093 weeks were claimed and 5,792 were compensated for total payments of \$852,790.

Table 18
Emergency Unemployment Compensation
Claims and Payment Activities
CY 1991 - 1994

<u>Calendar Year</u>	<u>Initial Claims</u>	<u>Weeks Claimed</u>	<u>First Payments</u>	<u>Amount of Payments</u>
TOTAL	91,689	931,766	59,756	\$ 162,866,052
1991 <u>a/</u>	7,972	27,321	5,593	3,923,827
1992	33,476	407,992	26,427	69,151,355
1993	44,527	448,148	24,992	81,027,710
1994 <u>b/</u>	5,714	48,305	2,744	8,763,160

a/ Began November 15th.

b/ Data as of October 31, 1994.

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DELINQUENT ACCOUNTS RECEIVABLE SUMMARY

Year Ending	Delinquent Contributions	No. of Employers Delinquent	Total No. of Subject Employers	% Employers Delinquent
12-31-87	4,324,272	3,443	58,446	5.9
12-31-88	4,249,593	3,043	58,805	5.2
12-31-89	4,229,144	2,803	58,716	4.8
12-31-90	3,656,011	2,411	58,573	4.1
12-31-91	3,518,111	2,303	58,488	3.9
12-31-92	3,401,853	2,160	59,154	3.7
12-31-93	3,436,619	2,305	60,664	3.8
12-31-94	2,960,484	1,985	61,931	3.2

DELINQUENT TAX RETURN SUMMARY

Qtr./Year	Delinquent Employers	% Employers Delinquent	Delinquent Employers @ End of Qtr.	% Employers Delinquent @ End of Qtr.
1/89	2,605	4.4	355	0.6
2/89	2,459	4.2	282	0.5
3/89	2,324	3.9	428	0.7
4/89	1,792	3.1	278	0.5
1/90	2,332	4.0	363	0.6
2/90	1,927	3.3	345	0.6
3/90	2,039	3.5	389	0.7
4/90	1,872	3.2	216	0.4
1/91	2,469	4.2	383	0.7
2/91	1,822	3.1	297	0.5
3/91	2,203	3.7	385	0.6
4/91	1,703	2.9	283	0.5
1/92	2,157	3.7	458	0.8
2/92	1,736	2.9	417	0.7
3/92	2,159	3.6	573	1.0
4/92	1,810	3.2	289	0.5
1/93	2,610	4.4	296	0.5
2/93	2,127	3.5	329	0.5
3/93	1,756	2.9	322	0.5
4/93	2,258	3.7	203	0.3
1/94	1,486	2.4	296	0.5
2/94	1,954	3.2	224	0.4
3/94	2,622	4.2	---	---

Flow of FUTA Funds Under Existing Federal Statutes

0.8% Employer Tax*

Monthly Transfers of All Net Collections

① EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT (ESAA)—for financing administrative costs of the employment security program. Monthly 0.64% of the 0.8% employer tax is to be retained in the ESAA account while 0.16% is to be transferred to ②. Up to 95% after transfers to ② may be appropriated to finance State administrative costs; balance available to meet Federal administrative costs.

Statutory limit retained in this account at the beginning of a fiscal year is 40% of the appropriation for the prior fiscal year.

Effective July, 1992
monthly transfers
= 20% of net
collections unless
above statutory
limit

Excess if ②
is over statutory
limit on September 30
of any year

Excess if ①
is over statutory
limit on October 1
of any year and
② is not over
its statutory limit

Excess if ③
is over statutory
limit on September 30
of any year

Excess if ① and ②
are over statutory
limit and ③ is not,
on October 1 of any year

② EXTENDED UNEMPLOYMENT
COMPENSATION ACCOUNT (EUCA)—
for financing Federal-State EB & EUC
programs

**Statutory limit: 0.375% of total wages in
covered employment in preceding calendar
year

③ FEDERAL UNEMPLOYMENT ACCOUNT
(FUA)—for repayable advances to States with
depleted reserves

**Statutory limit: 0.625% of total wages in
covered employment in preceding calendar year

If ① ② and ③ are over statutory limit on Oct. 1 of any year, excess
funds are distributed to State trust fund accounts if there are no
outstanding advances from General Revenue to either FUA or EUCA

*Effective tax, after 5.4 is offset against 6.2% Federal unemployment tax.
Effective rate will drop to 0.6% on January 1, 1997.

**Statutory limit on EUCA account will change to 0.5% on September 30, 1994.
This statutory limit on FUA account will change to 0.25% on September 30, 1994.

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