Approved: 3/7/95 lu
Date

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

The meeting was called to order by Chairman Al Lane at 9:10 a.m. on February 9, 1995 in Room 526-S of the Capitol.

All members were present except: Rep. Barbara Ballard - excused
Rep. David Heinemann - excused

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

Conferees appearing before the committee:
Rep. Greg Packer
Bill Layes, Kansas Department of Human Resources (KDHR)
Terry Leatherman, Kansas Chamber of Commerce and Industry (KCCI)

Others attending: See attached list

Hearing on: **HB 2305--concerning employment security; imposing a temporary moratorium on contributions by positive balance employers**

Rep. Greg Packer, sponsor of **HB 2305,** appeared before the committee to give an overview of the bill. His name for the bill is "EMPACT", Employment Progress and Cooperation Tax Act 1995 (see Attachment 1). The main purpose is to reduce the Unemployment Rate Trust Fund from the $723M balance, that was established in 1994. The objective is to bring the fund down to $500M in two years. The bill basically puts a moratorium on contributions by positive pay employers for two years. The bill would still require accountability of these employers, they would be required to file the regular papers, plus fill out a voluntary survey that the bill would set up. The survey asks questions like: What did you do with the money saved? Did the added money create new jobs? Did you buy new equipment.? In other words, what positive effect did not paying the unemployment tax have on your business. He continued by stating the bill (effective during the two year moratorium) also would require all new employers not eligible for a rate computation to pay contributions at the rate of one percent. This would serve as an added incentive for new businesses to locate in Kansas. The effect of the bill would be to: put money back into the economy, create new jobs, and produce a more favorable economy. Recommendations are that the fund should contain 1 1/2 % of its worst year. In Kansas this is 1982, with benefits paid of $217.8 million, which would mean the fund could be brought to $327 million, the bill proposes that the fund be reduced to 500 million in two years and then let it stabilize for a few years to watch the outcome. Rep. Packer concluded by answering questions from the committee.

Bill Layes, KDHR, gave the committee a short briefing on the effects of **HB 2305.** He defined the three types of employers: positive balance, negative balance, and new or "ineligible." He continued by stating that the bill provides that all employers, except negative balance employers, which are current and timely in the payment and filing of contributions will receive a zero contribution rate for 1995 and 1996. The bill would affect the positive balance and new employers. The bill also contains language that would remove the moratorium in the second year if the levels of the trust fund become dangerously low. In his briefing he said the long range effects of the bill would be to reduce the balance of the Employment Security Trust Fund and thereby reduce the actuarial soundness of that fund (see Attachment 2). Mr. Lays finished his briefing by answering questions from the committee.

Terry Leatherman, Executive Director of the Kansas Industrial Council, KCCI, appeared as a proponent for **HB 2305**. In explaining why the KCCI supports the bill, he stated that the major state role is to make sure the money the unemployed draw benefits from is properly filled with employer tax dollars. He further stated that the state government in Kansas has not only made sure the Trust Fund is adequate, but the balance is well beyond what is needed to pay unemployment benefits. While the KCCI supports the bill, they did have several reservations (see Attachment 3). They include: 1) There is no change in tax rates, and 2) Employers with the best "positive balance" benefit the least by a moratorium. He asked the committee to consider the following two amendments: 1) Create a permanent tax moratorium for employers with a positive reserve ratio of 20% or more, and 2) Replace the moratorium concept with a .50 reduction in the column "B" planned yield in schedule III. He continued by stating there are many approaches to reach the goals of HB 2305. He concluded by answering questions of the committee. As the committee had ran out of time, he was asked to return on February 10, 1995 to continue answering questions.

The committee adjourned at 10:10 a.m.

The next meeting is scheduled for February 10, 1995

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE February 9, 1995

NAME	REPRESENTING
PAUL BICKNELL	KS DEPT OF HUMAN RESOURCES
Bill Layes	" " " " "
Linda Tierce	"
TERRY LEATHERMAN	KCCI
Bob Brown	MID-AM LUMBERMENS
Jon Newman	KS Governmental Consulting
Wayne Maichel	KS AFL-CIO
Harry Helser	
Jim DeHoff	
David Dallam	Division of the Budget
Bill Taylor	BOEING
John A. Dodd	KS77A
[illegible]	[illegible]
MARK RAU	Professional Security, Inc.
Jeff Chaney	KAHSA
Jackie Summerson	Manpower
Frank Summerson	Wichita Ser. Inc
Mike Montero	Alan Cobb
Martin Hawver	Hawver's Capitol Report

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE FEB 9, 1995

NAME	REPRESENTING
J. P. Small	Learjet, Inc., Wichita

STATE OF KANSAS

GREG A. PACKER
REPRESENTATIVE, FIFTY-FIRST DISTRICT
7200 WATTLING CT
TOPEKA, KANSAS 66614
(913) 478-0502
OFFICE:
STATE CAPITOL, 112-S
TOPEKA, KANSAS 66612-1504
(913) 296-7689
1-800-432-3924

TOPEKA

HOUSE OF
REPRESENTATIVES

COMMITTEE ASSIGNMENTS
VICE CHAIR: BUSINESS, COMMERCE, AND LABOR
ECONOMIC DEVELOPMENT
FEDERAL AND STATE AFFAIRS
JOINT COMMITTEE ON ARTS AND CULTURAL RESOURCES

February 9, 1995

Mr. Chairman and members of the committee thank you for your time.

"EMPACT"

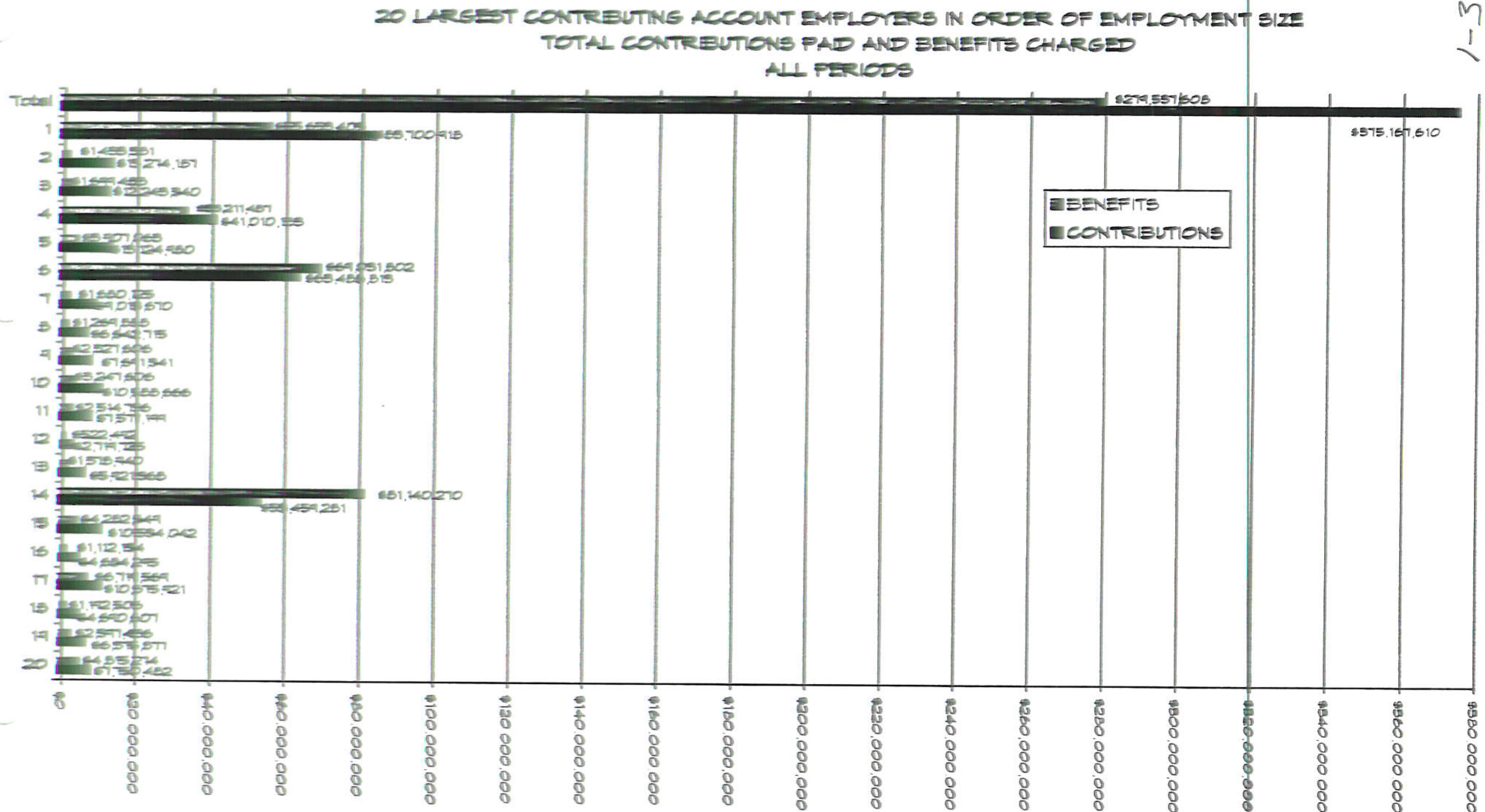
Employment Progress and Cooperation Tax Act 1995 or HB #2305. This bill basically puts a moratorium on positive pay employers for two years. This will bring the fund down from 723 million to 503 million in the two year period. The reserves have built over the last 14 years as you can see on the last page of your handout. The usual determining factor for the fund balance is 11/2 times the worst case year. In Kansas this is 1982 with benefits paid of 217.8 million. With this in mind the fund could be brought to 327 million. The bill proposes to come to 500 million in 2 years and then let it stabilize for a few years to watch the outcome.

Business, Commerce & Labor
2/9/95
Attachment 1

20 LARGEST CONTRIBUTING ACCOUNT EMPLOYERS IN ORDER OF EMPLOYMENT SIZE TOTAL CONTRIBUTIONS PAID AND BENEFITS CHARGED ALL PERIODS AND 1994 FIRM LIABILITY

	ALL PERIODS		1994	
	Contributions Paid ($)	Benefits Charged ($)	Contributions Paid ($)	Benefits Charged($)
Total	$ 375,167,610	$ 279,537,608	$ 15,615,238	$ 12,906,951
1	83,700,918	55,653,405	3,452,851	3,556,250
2	13,274,187	1,433,381	1,523,630	202,160
3	12,243,340	1,699,488	894,403	94,675
4	41,010,183	33,211,487	(620,513)	1,937,913
5	13,124,980	3,907,063	579,896	337,252
6	63,488,813	69,031,802	2,862,237	533,603
7	9,013,670	1,680,125	212,075	36,824
8	6,642,715	1,269,888	354,764	138,863
9	7,691,341	2,327,606	753,650	415,837
10	10,588,666	3,247,606	66,262	140,467
11	7,577,199	2,514,736	230,562	605,276
12	2,719,725	522,492	233,661	31,690
13	5,921,368	1,378,940	208,120	63,894
14	53,459,281	81,140,270	1,961,176	3,369,626
15	10,534,042	4,282,649	331,612	242,218
16	4,684,295	1,112,134	833,347	195,755
17	10,675,921	6,719,569	357,606	546,333
18	4,690,607	1,192,506	362,917	141,445
19	6,375,877	2,397,436	598,863	194,379
20	7,750,482	4,815,274	418,119	122,491

Source: Kansas Department of Human Resources, January 1995

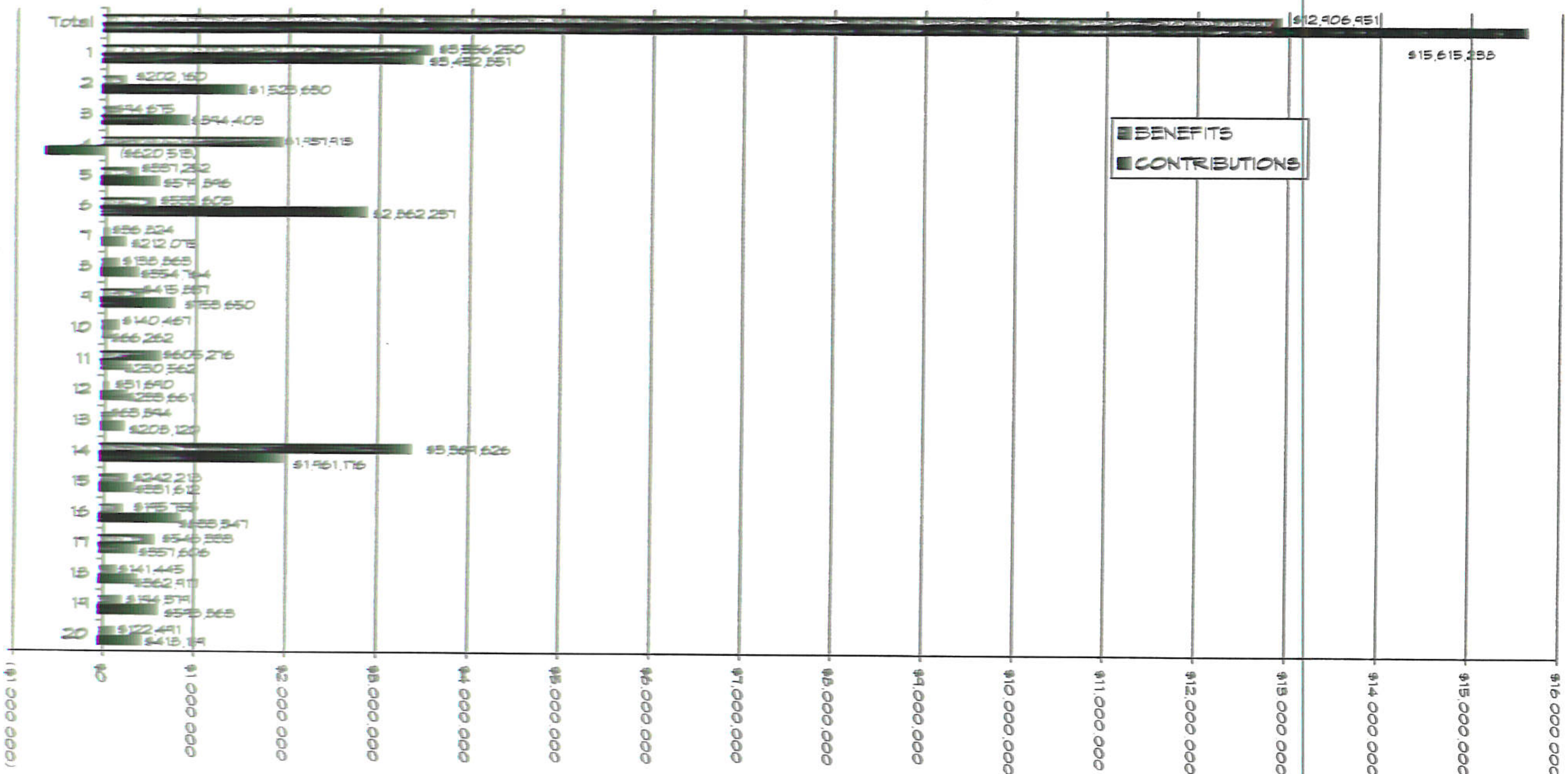


20 LARGEST CONTRIBUTING ACCOUNT EMPLOYERS IN ORDER OF EMPLOYMENT SIZE
TOTAL CONTRIBUTIONS PAID AND BENEFITS CHARGED
ALL PERIODS
BENEFITS
CONTRIBUTIONS
Total
$375,167,610
$41,010,338
$51,140,270

1-3

7-1

20 LARGEST CONTRIBUTING ACCOUNT EMPLOYERS IN ORDER OF EMPLOYMENT SIZE
TOTAL CONTRIBUTIONS PAID AND BENEFITS CHARGED
12 MONTHS ENDING JUNE, 30 1994



THE EMPACT PROPOSAL

THE UNEMPLOYMENT TAX FUND BROUGHT IN $176.5 MILLION IN 1994 (table a).

A FUND BALANCE IN 1997 OF $500 MILLION AT 7.0% INTEREST WILL EARN $35.0 MILLION(table b).

BY ADDING THE $176.5 MILLION* IN NEW REVENUES TO THE $35.0 MILLION IN INTEREST RESULTS IN $211.5 MILLION IN CONTRIBUTIONS IN 1997.

THE FUND HAS OVER THE LAST 14 YEARS AVERAGED 170.0 MILLION IN BENEFITS CHARGED (table a).

THE EXCESS OF WHAT THE STATE REQUIRES TO OPERATE THIS FUND EACH YEAR IS $211.5 - $170.0 = $41.5 MILLION.

WITH THE GOVERNOR'S PROPOSAL OF A 20% REDUCTION THIS CUTS THE NEW REVENUES BY $35.3 MILLION.

BY SUBTRACTING THE REDUCTION FROM THE EXCESS THE FUND RETAINS A SURPLUS OF $41.5 - $35.3 = 6.2 MILLION.

THEREFORE, WE CAN DECREASE THE FUND BY 20% . AS PROPOSED BY GOVERNOR GRAVES. WHICH WILL COMPLIMENT THE EMPACT PROGRAM.

*THIS ASSUMES NO RATE INCREASES FROM 1994 TO 1997 AS PER SCHEDULE 3.

(table a).

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)	Interest Earned 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.

Trust Fund Balance
Projected Income and Benefit Payments (table b).
CY 1995 - 1996

	CY 1995	CY 1996
Beginning of Year Trust Fund Balance.......	$723.0M	$630.0M
Contributions...........................	49.0M a/	30.0M b/
Interest 1/.............................	44.0M	37.0M
Benefit Payments........................	186.0M	194.0M
End of Year Trust Fund Balance............	630.0M	503.0M

a/ Contributions received for CY 1994 rate year.

b/ Contributions from negative balance and ineligible employer accounts.

1/ Based on an annual interest rate of 6.75 per cent.

TESTIMONY BEFORE HOUSE COMMITTEE ON BUSINESS, COMMERCE AND LABOR ON HB2305 FEBRUARY 9, 1995

HB2305 places a two-year moratorium on collection of contribution rates from positive balance employers. This would apply to rate years 1995 and 1996. Under the Kansas taxation system three types of employers are identified. The table illustrates types of employer and approximate number of account for rate year 1995.

Accounts	
Positive Balance	44,642
Negative Balance	3,264
New or "Ineligible"	11,250

New or ineligible accounts are accounts ineligible for rate computation under the experience rating provision of the statute. *Positive balance accounts* represent those employers who have been liable a sufficient amount of time to receive a rate computation and who have a positive account balance (paid more in tax than charged in benefits). *Negative balance accounts* are those who have been liable a sufficient amount of time to be assigned a rate but have experienced an excess of benefit charges over the amount of taxes paid.

Page 2, lines 8-13 represent the first change in HB2305. This language would require all new employers not eligible for a rate computation to pay contributions at the rate of one per cent. It also states that the one per cent contribution rate for 1996 shall be discontinued if the reserve in the trust fund in relation to total wages is equal to or less than two per cent. This has the effect of removing the moratorium in the second year if the levels of the trust fund become dangerously low. Currently new employers pay at the average industry rate plus one per cent. Industry division rates for rate year 1995 are as follows.

Industry	Current Law	HB2305
Agriculture, Forestry, Fishing	3.46%	1.0%
Mining	4.05%	1.0%
Contract Construction	5.06%	1.0%
Manufacturing	3.60%	1.0%
All Other	3.44%	1.0%

Federal law requires that all newly covered employers pay a minimum of one per cent.

Business, Commerce & Labor
2/9/95
Attachment 2

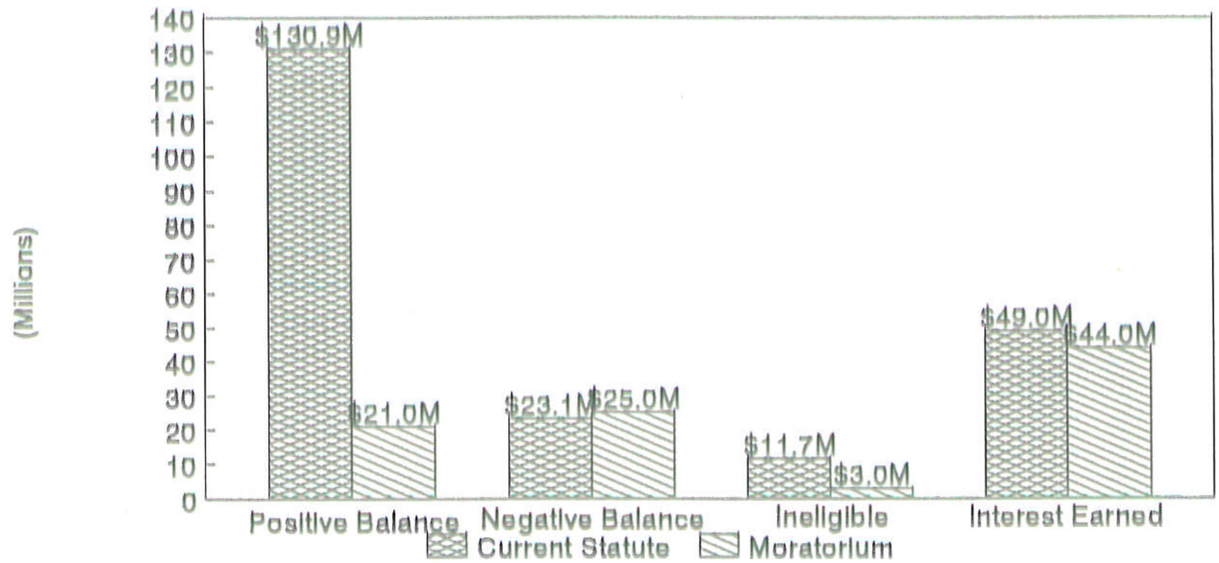
The next change brought about by HB2305 occurs on page 9, lines 13-18. This language simply provides that all employers, except negative balance employers which are current and timely in the payment and filing of contributions will receive a zero contribution rate for 1995 and 1996. It goes on to provide that rates for 1996 will be zero only if the trust fund balance is equal to or greater than two per cent of total wages (adequate). This has the same effect as the earlier provision in that it provides a "safety valve" if the trust fund balance becomes dangerously low. If the trust fund balance is less than 2.0 of total wages, zero rates will be discontinued for 1996.

HB2305 would provide zero tax rates to apply to approximately 44,642 employers for rate year 1995. This bill would require the agency to reissue tax rates for 1995. Earlier rates were issued and mailed in December 1994. These then would be recomputed and remailed at an additional cost of approximately $25,000.

Long range effects of the bill would work to reduce the balance of the Employment Security Trust Fund and thereby reduce the actuarial soundness of that fund. A graphic illustrating the current law for 1995 and proposed is contained on the reverse of this page.

Ladies and gentlemen, that concludes my remarks and I will be happy to stand for any questions you may have.

Income to the Employment Security Trust Fund, CY 1995
Current Statute and With a Moratorium for CY 1995 – 1996



INCOME TO TRUST FUND
CY1995

Accounts	Current Law	HB2305
TOTAL	$214,700,000	$93,000,000
Ineligible	11,679,561	3,000,000
Negative	23,139,669	25,000,000
Positive Balance	130,880,770	21,000,000
Interest	49,000,000	44,000,000

Estimated end of year trust fund balance with HB2305:

1995 . . . . . . $630,800,000

1996 . . . . . . $503,800,000

Kansas Department of Human Resources
Division of Staff Services
Labor Market Information Services
February 9, 1995

2-3

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

HB 2305

February 9, 1995

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

House Committee on Business, Commerce and Labor

by

Terry Leatherman
Executive Director
Kansas Industrial Council

Mr. Chairman and members of the Committee:

My name is Terry Leatherman. I am the Executive Director of the Kansas Industrial Council, a division of the Kansas Chamber of Commerce and Industry. For several years, KCCI has spoken out about the growth of the Kansas Employment Security Trust Fund and the taxes Kansas employers pay to finance the Fund. That is why KCCI supports HB 2305 as a bold approach to address the unemployment compensation tax burden employers face.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 55% of KCCI's members having less than 25 employees, and 86% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

Business Commerce
& Labor
2/9/95
Attachment 3

In explaining why KCCI supports a major change in unemployment compensation tax policy, permit me to review the basics of the Kansas Employment Security Law. The heart of the law is that qualified workers who become unemployed "through no fault of their own" deserve benefits as they search for new employment. The law charges employers the exclusive responsibility to finance this social insurance program. A major state role is to make sure the pot of money the unemployed draw benefits from is properly stoked with employer tax dollars. The pot where the benefit dollars are kept is called the Kansas Employment Security Trust Fund.

By all measures, state government has not only made sure the Trust Fund is adequate, but has exceeded what is needed to insure benefits are there for unemployed workers.

*As of January 21, 1995, the Kansas Employment Security Trust Fund balance was $721 million. If the Kansas unemployment rate was 100%, every covered Kansan lost their jobs, there is enough money in the Trust Fund to pay every Kansas worker the maximum unemployment benefits allowed for two weeks.

*There are several tests of Trust Fund adequacy. Regardless the test, Kansas ranks very high.

3-2

HIGH COST MULTIPLE

(compares Trust Fund to worst unemployment in the last 15 year)
as of December, 1993

STATE	High Cost Multiple	U.S. Rank
Kansas	1.64	2nd
Oklahoma	1.62	3rd
Iowa	1.22	9th
Nebraska	1.03	15th
Colorado	0.96	18th
Arkansas	0.36	39th
Missouri	0.08	49th
U.S. Average	0.60	---

CURRENT RESERVE ANALYSIS

(Compares the number of months benefits could be paid at current levels)
as of 2nd Quarter, 1994

STATE	Months of Benefits	U.S. Rank
Nebraska	50.2	9th
Kansas	48.2	10th
Iowa	46.5	11th
Oklahoma	46.4	12th
Colorado	27.8	26th
Arkansas	11.0	39th
Missouri	2.5	48th
U.S. Average	16.3	---

EMPLOYER TAX RATE

(Taxes as a percentage of total wages)
For 1992, National Foundation for
Unemployment Compensation & Workers Compensation

STATE	Tax %	Tax Paid (in millions)
Arkansas	1.0%	139.8
Kansas	.89%	171.4
Iowa	.82%	154.8
Missouri	.66%	253.9
Colorado	.60%	171.9
Nebraska	.47%	51.3
Oklahoma	.39%	95.1
U.S. Average	.77%	-------

3-3

Many adjectives can be attached to HB 2305. I have used "bold" and "major" thus far in my testimony. However, words like "excessive" and "unjustifiable" do not apply to HB 2305. Taxes paid by Kansas employers have grown the Trust Fund well beyond what is needed to pay unemployment benefits. In spite of the solvent condition of the Trust Fund, our state's employers are asked to pay much more than businesses in neighboring states.

If anyone is concerned about the magnitude of HB 2305, please consider this. If the Kansas Trust Fund is slashed in half it would have more money in it than state Trust Funds in 22 states. Today's Kansas balance is 10 times larger than in Missouri, yet Kansas employers still pay more unemployment tax dollars than their competitors to the east. If anything else, HB 2305 is appropriate.

While KCCI supports this bill, we do have the following reservations for the Committee's consideration.

1. THERE IS NO CHANGE IN TAX RATES

The taxes Kansas employers pay into the Trust Fund reflect the balance in the Fund, compared to the total payroll of the state's employees. This is an important element, and one KCCI supports, because it lowers taxes when the Trust Fund balance is high and drives tax rates up when the balance is low.

While the Trust Fund's philosophy is sound, the percentages associated with the formula are too high and are the reason why the tax burden Kansas employers endure is so great. When the two-year moratorium in HB 2305 ends in 1997, the current formula which rules today will again be applied to employers. That means Kansas employers will pay much higher taxes, beginning in 1997.

3-4

2. EMPLOYERS WITH THE BEST "POSITIVE BALANCE" BENEFIT THE LEAST BY A MORATORIUM

The HB 2305 moratorium zeroes taxes for employers with "positive account balances." For clarification, an employer's account balance compares the unemployment taxes paid in to unemployment benefits paid out, that have been charged to the employer. A simple comparison is to a person's checking account at the bank. If you deposit more (in taxes) than you withdraw (in benefits), you have a positive balance. The system then takes another step by comparing an account balance to your annual payroll to give an employer a "reserve ratio."

Using reserve ratios, Kansas then divides all employers into 51 "Rate Groups." In Rate Group 1, you find the employers with the best reserve ratios in the state. Rate Group 51 is populated by businesses that are the closest to having a negative account balance. The reason why your rate group is important is that is where tax rates are varied. Rate Group 1 pays the lowest taxes and Rate Group 51 pays the highest.

Rate Group 1 ---.05 Tax Rate --- $4 per employee
Rate Group 51-3.86 Tax Rate --$308.80 per employee

When "reserve ratio" is the measure, Rate Group 1 employers have done the most to create the surplus in the Trust Fund while employers in Rate Group 51 have done the least. However, HB 2305's moratorium wipes out all positive balance employer taxes. As a result, the "biggest winners" are employers in Rate Group 51, yet employers in Rate Group 1 will net much less benefit from the moratorium.

While the Kansas Chamber supports HB 2305, we respectfully suggest there might be a better way to pursue the laudable goal of unemployment compensation tax reduction embraced in HB 2305. Please consider the following amendments to the legislation.

3-5

1. CREATE A PERMANENT TAX MORATORIUM FOR EMPLOYERS WITH A POSITIVE RESERVE RATIO OF 20% OR MORE

This could be accomplished by amending HB 2305 on page 3 in KSA 44-710 (b) to grant employers with a .20 reserve ratio a 0% contribution rate and remove them from the 51 rate group array. The permanent moratorium would have a desirable two-prong effect. First, it would establish a permanent standard where employers have contributed to the Fund to meet their unemployment obligation. Please realize that falling below the .20 reserve ratio would return employers to the rate group array. If in effect today, 13,000 Kansas employers would have no unemployment compensation tax liability.

A second effect of the amendment would come from removing these employers from the 51 rate group array. Today, the .20 reserve ratio employers populate Rate Groups 1 through 6. If they are no longer part of the array, an employer in rate group 7 climbs the charts to Rate Group 1. In 1994, their tax rates would have changed from .54 (Rate Group 7) to .05 (Rate Group 1). However, a Rate Group 51 employer would stay in that group and pay the highest tax rates.

2. REPLACE THE MORATORIUM CONCEPT WITH A .50 REDUCTION IN THE COLUMN "B" PLANNED YIELD IN SCHEDULE III

This would be accomplished by amending HB 2305, beginning on page 5, to reduce throughout the Column "B" Planned Yield by .50%.

Amending the Schedule III rates is critical in order to avoid a steep upward spiral in tax rates when the moratorium ends. This is illustrated through examples on the next several page.

3-6

Year 1	Current System	HB 2305	KCCI Alternative
Trust Fund Balance (as of July 31, 1994)	$724.6 million	$724.6 million	$724.6 million
Total Payroll (as of June 30, 1994)	$19.6 billion	$19.6 billion	$19.6 billion
Ratio: Fund Balance to Payroll	3.703%	3.703%	3.703%
Schedule III Planned Yield	0.76%	0.76%	0.26%
Converted to taxable wages	2.12%	2.12%	0.73%
TOTAL TAXES BY EMPLOYERS	$148.6 million	$148.6 million	$51.2 million
(share paid by non-positive balance employers)	$34 million	$26 million (less due to "new employer" rate reduction	$26 million (less due to "new employer" rate reduction
(share paid by positive balance employers)	$114.6 million	$0 (year one of moratorium)	$25.6 million
ACTUAL TAXES COLLECTED	$148.6 million	$26 million	$51.2 million
Interest income earned (7% of beginning Trust Fund Balance)	$50 million	$50 million	$50 million
Trust Fund Balance subtotal	$923.2 million	$800.6 million	$825.8
Unemployment Compensation Benefits Paid	$180 million	$180 million	$180 million
Year End Trust Fund Balance	$743.2 million	$620.6 million	$645.8 million

Year 2	Current System	HB 2305	KCCI Alternative
Trust Fund Balance (as of July 31, 1994)	$743.2 million	$620.6 million	$645.8 million
Total Payroll (1994 plus 5%)	$20.5 billion	$20.5 billion	$20.5 billion
Ratio: Fund Balance to Payroll	3.625%	3.027%	3.150%
Schedule III Planned Yield	0.78%	0.90%	0.37%
Converted to taxable wages	2.18%	2.52%	1.04%
TOTAL TAXES BY EMPLOYERS	$160.1 million	$185.1 million	$76.4 million
(share paid by non-positive balance employers)	$34 million	$26 million (less due to "new employer" rate reduction	$26 million (less due to "new employer" rate reduction
(share paid by positive balance employers)	$126.1 million	$0 (year one of moratorium)	$50.4 million
ACTUAL TAXES COLLECTED	$160.1 million	$26 million	$76.4 million
Interest income earned (7% of beginning Trust Fund Balance)	$52 million	$43.4 million	$45.2 million
Trust Fund Balance subtotal	$955.3 million	$690 million	$767.4 million
Unemployment Compensation Benefits Paid	$180 million	$180 million	$180 million
Year End Trust Fund Balance	$775.3 million	$518 million	$587.4 million

Year 3	Current System	HB 2305	KCCI Alternative
Trust Fund Balance (as of July 31, 1994)	$775.3 million	$518.0 million	$587.4 million
Total Payroll (Year 2 plus 5%)	$21.6 billion	$21.6 billion	$21.6 billion
Ratio: Fund Balance to Payroll	3.593%	2.400%	2.722%
Schedule III Planned Yield	0.79%	1.02%	0.46%
Converted to taxable wages	2.21%	2.86%	1.29%
TOTAL TAXES BY EMPLOYERS	$170.1 million	$220.1 million	$99.3 million
(share paid by non-positive balance employers)	$34 million	$26 million (less due to "new employer" rate reduction	$26 million (less due to "new employer" rate reduction
(share paid by positive balance employers)	$136.1 million	$194.1 million	$73.3 million
ACTUAL TAXES COLLECTED	$170.1 million	$220.1 million	$99.3 million
Interest income earned (7% of beginning Trust Fund Balance)	$54.3 million	$36.3 million	$41.1 million
Trust Fund Balance subtotal	$999.7 million	$774.4 million	$727.8 million
Unemployment Compensation Benefits Paid	$180 million	$180 million	$180 million
Year End Trust Fund Balance	$819.7 million	$594.4 million	$547.7 million

KCCI applauds the authors of HB 2305. Kansas employers have for too long shouldered a tax burden beyond the state's need to pay unemployment compensation taxes. There are many approaches to reach the goals of HB 2305. The Kansas Chamber hopes some of the suggestions made today are considered and would welcome the opportunity to work with this Committee in achieving a tax structure where Kansas employees are assured benefits will be paid and Kansas employers are assured they will only contribute the taxes needed to meet that challenge.

I would be happy to attempt to answer any questions.

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