

Approved: February 17, 1995  
Date

MINUTES OF THE SENATE COMMITTEE ON COMMERCE.

The meeting was called to order by Chairperson Alicia Salisbury at 8:00 a.m. on February 16, 1995 in Room 123-S of the Capitol.

Members present: Senators Salisbury, Burke, Downey, Feleciano, Gooch, Harris, Hensley, Kerr, Petty, Ranson, Reynolds, Steffes and Vidricksen.

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

Conferees appearing before the committee:  
Jeffrey A. Chanay, General Counsel, Kansas Association of Homes and Services  
for the Aging

Others attending: See attached list

**SB 235 - Employment Security; reduction of employer contribution rates**

Jerry Donaldson, Principal Analyst, Legislative Research Department and Bob Nugent, Revisor, Office of the Revisor of Statutes, provided background regarding the Employment Security Trust Fund. Staff reviewed the method of contribution by employer; the reserve ratio and how it is calculated; and the growth of the Trust Fund.

SB 235 reduces the contribution rates for new employers to no less than 1%, and positive balance employers with a reserve ratio of .20 % or higher would be allowed a contribution rate of 0%. Contributions to the Trust Fund would be further reduced since the planned yield in Schedule III for all other employers would be reduced by .40%.

HB 2305 places a 2-year moratorium on taxes from positive balance employers which are current in payment and filing of contributions for rate years 1995 and 1996. Negative balance employers, as well as new employers, are not affected. HB 2305 provides for a 1% contribution for that new employers not eligible for a rate calculation. The bill further requires the Secretary of Department of Human Resources to survey those employers eligible for the 0% to determine the impact of the rate reduction on the employers and how the employers use the monies that would otherwise have been spent as fund contributions. HB 2305 would also enact a .40% reduction in Schedule III. Graphs and charts were provided to demonstrate the impact of the rate changes and a comparison of the impact between the two bills. The Revisor informed the Committee of pending legislation that would change the method for calculating employer contribution from reserve ratio to benefit ratio and the potentation effect of the change. See attachment 1

Discussion regarding the two bills identified that both are conservative. There was a concern expressed regarding the jump in rates after the two year moratorium proposed in HB 2305. The balance projected in years 1996, 1997, 1998, 1999 under SB 235 would appear to allow a further small percentage reduction if the SB 235 rationale is favorably considered by the Committee. The Committee was further assured that the proposals in either HB 2305 or SB 235 comply with Federal requirements. Mr. Bicknell advised that the bills have been reviewed by the Department of Labor and he has been assured they meet the requirement for certification and continued Federal funding.

Jeffrey A. Chanay, testified in favor of SB 235 and HB 2305 on behalf of the Kansas Association of Homes and Services for the Aging. HB 2305 is more of an economic development measure than SB 235, as it would allow businesses to realize tax savings quicker. He further stated that enactment of either piece of legislation would be positive for employers since both would lower the unemployment insurance costs of a Medicaid-certified facility and consequently the State will expend fewer Medicaid-match dollars as part of the

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON COMMERCE, Room 123-S Statehouse, at 8:00 a.m.  
on February 16, 1995.

facility's reimbursement rate. Mr. Chanay estimated under HB 2305 there would be a \$1.5 million reduction to the State over the two year moratorium; and under SB 235, an estimated reduction of \$750,000. See attachment 2

Mr. Chanay also testified as a proponent of SB 235 or HB 2305, on behalf of Jacki Summerson, Manpower Temporary Services. The testimony related to the impact on temporary employment companies throughout the state that are providing thousands of employment opportunities to people who are in the process of looking for permanent employment but need work or want limited employment. The Kansas Unemployment Trust Fund is the second healthiest fund when compared to all other states. The bill does not impact benefits paid to unemployed workers, but does have an economic impact on employers who will have extra money to spend on buying new equipment, expanding their facilities, and creating new jobs. HB 2305 is the preferred bill, but perhaps the two bills, HB 2305 and SB 235 can be combined so that the moratorium is put in place for two years and then continues only for those employers with a reserve ratio equal to or greater than 20%. Giving employers a moratorium gives businesses a two year infusion of cash that can be utilized to expand business. See attachment 3

The Chair stated that one of the concerns is the jump from 0% contribution to \$.66. HB 2305 doesn't do anything to soften the impact of this on businesses after the two year moratorium. It would appear that the rates can be lowered, it is a question of how much and the procedure of accomplishing the reduction. Mr. Chanay stated that it was his understanding that statements would still be forwarded quarterly and the statements would contain a reminder that taxes are not owed, but that the tax payments will soon be resuming.

Senator Burke questioned the necessity and administrative cost of the Department conducting a survey as to how employers were utilizing the savings garnered from the moratorium.

Upon motion by Senator Reynolds, seconded by Senator Vidricksen, the Minutes of the February 15, 1995 meeting were adopted.

The Committee adjourned at 9:00 a.m.

The next meeting is scheduled for Friday, February 17, 1995.



# MEMORANDUM

## Kansas Legislative Research Department

300 S.W. 10th Avenue  
Room 545-N -- Statehouse  
Topeka, Kansas 66612-1504  
Telephone (913) 296-3181 FAX (913) 296-3824

February 15, 1995

**To:** Senate Commerce Committee  
**From:** Jerry Ann Donaldson, Principal Analyst  
**Re:** Employment Security Trust Fund and Proposed Bills

### Background

Unemployment insurance and benefits are concepts that grew out of the social milieu of the 1930s -- the Great Depression. In an effort to counteract the all-time high unemployment rate, Kansas enacted the Unemployment Security Law following the enactment of the federal Social Security Act of 1935.

Under the program, weekly unemployment benefits provide compensation to qualified workers who are unemployed. Another purpose of the program is to serve the business community by allowing money to be placed in circulation during times of economic downturn and thereby helping soften recessionary pressures. Kansas employers, who are subject to the taxing provisions of the employment security provisions of the law, pay into the Employment Security Trust Fund, which is charged with distributing unemployment benefits to qualified unemployed workers.

All employers, except for governmental and nonprofit companies, are required to be contributing employers. Governmental and nonprofit organizations can elect to be reimbursing employers. The difference lies in the method of paying taxes. Under the contributing method, a contributing employer reports total wages paid to employees but pays taxes only on an \$8,000 wage base, as determined by statute. The alternative reimbursing method is an option whereby the employer reports total wages paid in each quarter but pays no tax upon reporting. Instead, the employer repays the Fund totally for any benefits paid to their employees. An employer must be a reimbursing employer for a minimum of four years before opting out. A third method of payment, the rated governmental method, can only be used by a governmental entity who reports total wages paid each quarter and pays taxes on these total wages. This election must also be for a minimum of four years.

Those employers who pay into the Employment Security Trust Fund do so according to the reserve ratio method, which is, essentially, cost accounting and measures the difference between contributions and benefits divided by 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 taxable 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.

*February 14, 1995*  
*Commerce*  
*Attachment 1*

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

Thirty-two other states also use this method of calculation. Under this method, employers are put into one of 51 designated rate groups. Those employers in rate group 1 have the best reserve ratio and, therefore, pay the lowest taxes. Employers in rate group 51 have the least favorable reserve rates and pay the highest taxes. For example:

Rate Group 2 pays \$4 per employee  
Rate Group 51 pays \$308.80 per employee

New employers are assessed a tax rate of 1 percent plus either the average rate for all employers or the average rate for employers in the same industry, whichever is greater. A new employers rate cannot be less than 2 percent.

Monies deposited in the Employment Security Trust Fund are kept in the United States Treasury to be credited to the Kansas account in the federal Unemployment Insurance Fund. Interest is earned quarterly on the federal fund, with Kansas' account credited on a pro rata share basis.

Over the last several years the Employment Security Trust Fund has grown from a balance of \$218.8 million dollars in calendar year 1980 to a \$723.8 million balance in 1994, as illustrated by the chart below. As of January 17, 1995 the Trust Fund Balance was \$717,268,000. Even before 1980, however, Kansas Employment Trust Fund reflected a healthy balance, and business, labor, and the governmental section have been in basic agreement that the unemployment insurance program in Kansas has been a mitigating factor in lessening the effect of the recessionary periods of the 1970s and 1980s.

**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)	Percent <sup>(1)</sup>
Total	N/A	\$2,200.0 <sup>(2)</sup>	\$2,092.0 <sup>(2)</sup>	\$ 442.0 <sup>(2)</sup>	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	585.2	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 percent 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.

There are two usual indicators of fund solvency; namely, 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. An adequate level for the reserve fund ratio is considered to be 3.00 percent. The high-cost multiple is a measure comparing the reserve fund ratio to the highest benefit cost rate during the past 15 years. An adequate level for the high cost multiple is considered to be 1.50 percent. Accordingly, the Trust Fund balance cannot go below \$326.7 million under this formula. At the end of 1997 the balance of the Trust Fund could go as low as \$283.05 million.

**Employment Security Trust Fund Bills**

H.B. 2305 would place a two-year moratorium on taxes from positive balance employers that are current in the payment and filing of contributions for rate years 1995 and 1996. Currently, there are 44,642 employers that would be affected by this moratorium. Negative balance employers, (3,264) as well as new employers (11,250) would not be affected. The bill also provides that new employers not eligible for a rate calculation must pay a 1 percent contribution. It is a federal requirement that all new employers pay at a rate of at least 1 percent. In addition, the 1 percent contribution is to be discontinued in the event the required planned yield falls to or goes below 2 percent. Such a safety valve measure has the effect of removing the moratorium in the second year should the trust fund reserve become too low. In addition, the bill requires the Secretary of the Department of Human Resources to survey those employers eligible for the 0 percent contribution rate for rate years 1995 and 1996 to determine the impact of the rate



reduction on the employers as to how the employers used the monies that would otherwise have been spent as fund contributions. The Secretary will be required to issue the results of the report to the Senate Commerce Committee and the House Business, Commerce, and Labor Committee before September 1, 1997.

H.B. 2305, as amended on February 14, 1995, would also enact a .40 percent reduction in Schedule III -- Fund Control for most employers at the end of the moratorium. Those employers with a reserve fund ratio of 4.750 and over would have a planned yield of 0 percent. Such a change would mean that over 13,000 employers would pay no contributions. Estimated contributions for CY 1997 would be \$174.3 million compared with \$206.6 million under the current set up. Contributions are estimated, under the amended bill to be \$196.8 million and \$216.6 million for calendar years 1998 and 1999, respectively. Under the current scheme these contributions would be approximately \$226.1 million and \$245.1 million, respectively for calendar years 1998 and 1999.

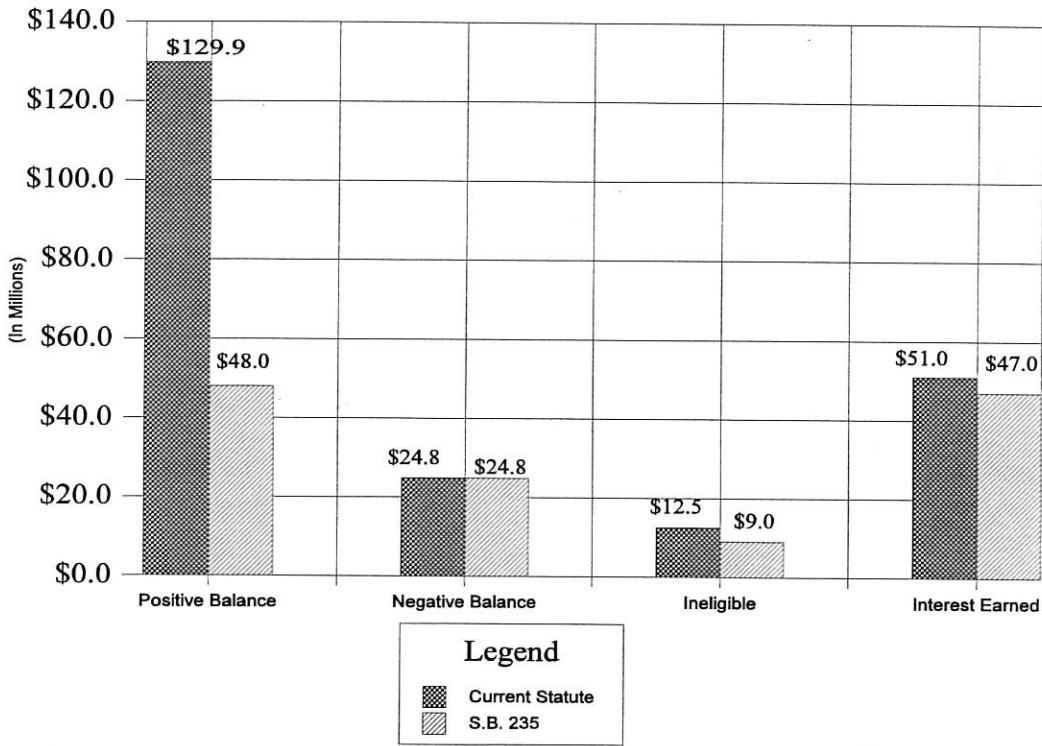
**ESTIMATED EMPLOYER CONTRIBUTIONS  
VARIOUS LEGISLATIVE PROPOSALS  
CY 1995-1999**

Estimated Contributions	Current	S.B. 26 and H.B. 2135	H.B. 2305 (As Amended Feb. 14, 1995) (Centered at 0.5)
CY 1995	\$165.7M	\$122.1M	\$49.0M
CY 1996	186.4M	149.1M	30.0M
CY 1997	206.6M	171.8M	174.3M
CY 1998	226.1M	198.8M	196.8M
CY 1999	245.1M	222.3M	216.6M

S.B. 235 amends the Employment Security Law by reducing the contribution rates for new employers to no less than 1 percent (under current law it is 2 percent). Additionally, positive balance employers with a reserve ratio of .20 percent or higher would be allowed a contribution rate of 0 percent. Contributions to the Employment Security Trust Fund would be further reduced since the planned yield in Schedule III for all other employers would be reduced by .40 percent.

The estimated Trust Fund balance at the end of calendar year 1996, under S.B. 235, as introduced, is \$696.4 million as compared with an estimated 1996 year end balance, under current law of \$812.2 million as illustrated in the accompanying graph.

**INCOME TO THE EMPLOYMENT SECURITY TRUST FUND, CY 1996  
CURRENT STATUTE AND WITH S.B. 235**



**INCOME TO TRUST FUND  
CY 1995**

Accounts	Current Law	S.B. 235
TOTAL	\$ 218,200,000	\$ 128,800,000
Positive Balance	129,900,000	48,000,000
Negative	24,800,000	24,800,000
Ineligible	12,500,000	9,000,000
Interest	51,000,000	47,000,000

See accompanying Attachments 1 and 2 for a further explanation of the effects of S.B. 235 on contribution rates and the Trust Fund balance.



S.B. 26 and H.B. 2135 are identical bills that would reduce contributions to the Employment Security Trust Fund by making an adjustment to the contribution rates as provided in Schedule III in K.S.A. 44-710a. All positive account balance employers would have their tax rates reduced by .20 percent. Reductions in FY 1995 for contributions to the Fund would be reduced by approximately \$43.6 million. Contributions for FY 1996 would be reduced by approximately \$37.3 million.

The following estimate of employer contributions under various legislative proposals, among other things, highlights the contribution differences of S.B. 26 and H.B. 2135 with the current system.

**ESTIMATED EMPLOYER CONTRIBUTIONS  
VARIOUS LEGISLATIVE PROPOSALS  
CY 1995-1999**

<u>Estimated Contributions</u>	<u>Current</u>	<u>S.B. 26 and H.B. 2135</u>	<u>H.B. 2305 (As Amended Feb. 14, 1995) (Centered at 0.5)</u>
CY 1995	\$165.7M	\$122.1M	\$49.0M
CY 1996	186.4M	149.1M	30.0M
CY 1997	206.6M	171.8M	174.3M
CY 1998	226.1M	198.8M	196.8M
CY 1999	245.1M	222.3M	216.6M

Table 1  
 Unemployment Insurance Contribution Rates  
 for Positive Balance Employer Accounts  
 CY 1995 Actual and CY 1996-1999 With Senate Bill 235

Rate Group	Actual	With SB 235			
	1995	1996	1997	1998	1999
1	0.05	0.02	0.03	0.04	0.04
2	0.07	0.03	0.05	0.06	0.07
3	0.15	0.07	0.09	0.12	0.13
4	0.22	0.10	0.14	0.18	0.20
5	0.29	0.13	0.19	0.23	0.26
6	0.37	0.17	0.23	0.29	0.33
7	0.44	0.20	0.28	0.35	0.39
8	0.52	0.23	0.33	0.41	0.46
9	0.59	0.27	0.37	0.47	0.53
10	0.66	0.30	0.42	0.53	0.59
11	0.74	0.34	0.47	0.58	0.66
12	0.81	0.37	0.51	0.64	0.72
13	0.88	0.40	0.56	0.70	0.79
14	0.96	0.44	0.61	0.76	0.85
15	1.03	0.47	0.65	0.82	0.92
16	1.10	0.50	0.70	0.88	0.99
17	1.18	0.54	0.75	0.93	1.05
18	1.25	0.57	0.79	0.99	1.12
19	1.32	0.60	0.84	1.05	1.18
20	1.40	0.64	0.89	1.11	1.25
21	1.47	0.67	0.93	1.17	1.31
22	1.55	0.70	0.98	1.23	1.38
23	1.62	0.74	1.03	1.28	1.45
24	1.69	0.77	1.07	1.34	1.51
25	1.77	0.80	1.12	1.40	1.58
26	1.84	0.84	1.17	1.46	1.64
27	1.91	0.87	1.21	1.52	1.71
28	1.99	0.91	1.26	1.58	1.77
29	2.06	0.94	1.31	1.64	1.84
30	2.13	0.97	1.35	1.69	1.91
31	2.21	1.01	1.40	1.75	1.97
32	2.28	1.04	1.45	1.81	2.04
33	2.36	1.07	1.50	1.87	2.10
34	2.43	1.11	1.54	1.93	2.17
35	2.50	1.14	1.59	1.99	2.23
36	2.58	1.17	1.64	2.04	2.30
37	2.65	1.21	1.68	2.10	2.37
38	2.72	1.24	1.73	2.16	2.43
39	2.80	1.27	1.78	2.22	2.50
40	2.87	1.31	1.82	2.28	2.56
41	2.94	1.34	1.87	2.34	2.63
42	3.02	1.37	1.92	2.39	2.69
43	3.09	1.41	1.96	2.45	2.76
44	3.16	1.44	2.01	2.51	2.83
45	3.24	1.47	2.06	2.57	2.89
46	3.31	1.51	2.10	2.63	2.96
47	3.39	1.54	2.15	2.69	3.02
48	3.46	1.58	2.20	2.74	3.09
49	3.53	1.61	2.24	2.80	3.15
50	3.61	1.64	2.29	2.86	3.22
51	3.68	1.68	2.34	2.92	3.29
End of Year					
Fund Balance	\$752.5	\$696.4	\$658.9	\$640.9	\$644.8

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

Table 2  
 A Comparison of the Current Statute and the Effect of SB 235  
 With Schedule III Recentered at 0.50 Effective CY 1996, a One Per Cent Reduction in Eligible Rates  
 and a Zero Rate for Positive Balance Accounts with Reserve Ratios 2.00 and Greater

	Actual 1995	Current 1996	SB 235 1996	Current 1997	SB 235 1997	Current 1998	SB 235 1998	Current 1999	SB 235 1999
Benefit Payments	\$186,000,000	\$194,000,000	\$194,000,000	\$201,000,000	\$201,000,000	\$209,000,000	\$209,000,000	\$212,000,000	\$212,000,000
Interest Earned	49,000,000	51,000,000	47,000,000	58,000,000	44,000,000	61,000,000	42,000,000	68,000,000	42,000,000
Contributions Received	165,700,000	202,700,000	90,900,000	224,100,000	119,500,000	220,800,000	149,000,000	236,600,000	173,900,000
Fund Balance End of Year	752,500,000	812,200,000	696,400,000	891,900,000	658,900,000	964,100,000	640,900,000	1,054,700,000	\$644,800,000

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

1-8

ELIGIBLE EMPLOYERS WITH RESERVE RATIO  
OF .20 OR GREATER  
RATE YEARS 1990-1995  
KANSAS

<u>Rate Year</u>	<u>Employers with reserve ratio of .20 or greater</u>	<u>Total Positive Balance Employers</u>	<u>Per Cent .20 or greater</u>
1995	13,600	44,642	30.5
1994	11,468	43,834	26.2
1993	8,620	43,309	19.9
1992	8,147	42,635	19.1
1991	6,557	42,692	15.4
1990	0	42,461	0.0

Kansas Department of Human Resources  
Division of Staff Services  
Labor Market Information Services  
February 8, 1995

95-47

Table 1  
 Unemployment Insurance Contribution Rates  
 for Positive Balance Employer Accounts  
 CY 1995 Actual and CY 1996-1999 With Senate Bill 235

Rate Group	Actual 1995	With SB 235			
		1996	1997	1998	1999
1	0.05	0.02	0.03	0.04	0.04
2	0.07	0.03	0.05	0.06	0.07
3	0.15	0.07	0.09	0.12	0.13
4	0.22	0.10	0.14	0.18	0.20
5	0.29	0.13	0.19	0.23	0.26
6	0.37	0.17	0.23	0.29	0.33
7	0.44	0.20	0.28	0.35	0.39
8	0.52	0.23	0.33	0.41	0.46
9	0.59	0.27	0.37	0.47	0.53
10	0.66	0.30	0.42	0.53	0.59
11	0.74	0.34	0.47	0.58	0.66
12	0.81	0.37	0.51	0.64	0.72
13	0.88	0.40	0.56	0.70	0.79
14	0.96	0.44	0.61	0.76	0.85
15	1.03	0.47	0.65	0.82	0.92
16	1.10	0.50	0.70	0.88	0.99
17	1.18	0.54	0.75	0.93	1.05
18	1.25	0.57	0.79	0.99	1.12
19	1.32	0.60	0.84	1.05	1.18
20	1.40	0.64	0.89	1.11	1.25
21	1.47	0.67	0.93	1.17	1.31
22	1.55	0.70	0.98	1.23	1.38
23	1.62	0.74	1.03	1.28	1.45
24	1.69	0.77	1.07	1.34	1.51
25	1.77	0.80	1.12	1.40	1.58
26	1.84	0.84	1.17	1.46	1.64
27	1.91	0.87	1.21	1.52	1.71
28	1.99	0.91	1.26	1.58	1.77
29	2.06	0.94	1.31	1.64	1.84
30	2.13	0.97	1.35	1.69	1.91
31	2.21	1.01	1.40	1.75	1.97
32	2.28	1.04	1.45	1.81	2.04
33	2.36	1.07	1.50	1.87	2.10
34	2.43	1.11	1.54	1.93	2.17
35	2.50	1.14	1.59	1.99	2.23
36	2.58	1.17	1.64	2.04	2.30
37	2.65	1.21	1.68	2.10	2.37
38	2.72	1.24	1.73	2.16	2.43
39	2.80	1.27	1.78	2.22	2.50
40	2.87	1.31	1.82	2.28	2.56
41	2.94	1.34	1.87	2.34	2.63
42	3.02	1.37	1.92	2.39	2.69
43	3.09	1.41	1.96	2.45	2.76
44	3.16	1.44	2.01	2.51	2.83
45	3.24	1.47	2.06	2.57	2.89
46	3.31	1.51	2.10	2.63	2.96
47	3.39	1.54	2.15	2.69	3.02
48	3.46	1.58	2.20	2.74	3.09
49	3.53	1.61	2.24	2.80	3.15
50	3.61	1.64	2.29	2.86	3.22
51	3.68	1.68	2.34	2.92	3.29
End of Year					
Fund Balance	\$752.5	\$698.4	\$658.9	\$640.9	\$644.8

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

## with modified Schedule III

Table 2  
 Unemployment Insurance Contribution Rates  
 for Positive Balance Employer Accounts  
 CY 1995 Actual and CY 1995-1999 With a Two-Year Moratorium CY 1995-1996  
 With a Revised Schedule III to Retain Rates at 1995 Levels

Rate Group	Actual 1995	With a Moratorium 1995-1996				
		1995	1996	1997	1998	1999
1	0.05	0.00	0.00	0.05	0.05	0.05
2	0.07	0.00	0.00	0.08	0.08	0.08
3	0.15	0.00	0.00	0.15	0.16	0.17
4	0.22	0.00	0.00	0.23	0.24	0.25
5	0.29	0.00	0.00	0.30	0.33	0.34
6	0.37	0.00	0.00	0.38	0.41	0.42
7	0.44	0.00	0.00	0.46	0.49	0.51
8	0.52	0.00	0.00	0.53	0.57	0.59
9	0.59	0.00	0.00	0.61	0.65	0.68
10	0.66	0.00	0.00	0.68	0.73	0.76
11	0.74	0.00	0.00	0.76	0.81	0.84
12	0.81	0.00	0.00	0.84	0.89	0.93
13	0.88	0.00	0.00	0.91	0.98	1.01
14	0.96	0.00	0.00	0.99	1.06	1.10
15	1.03	0.00	0.00	1.07	1.14	1.18
16	1.10	0.00	0.00	1.14	1.22	1.27
17	1.18	0.00	0.00	1.22	1.30	1.35
18	1.25	0.00	0.00	1.29	1.38	1.44
19	1.32	0.00	0.00	1.37	1.46	1.52
20	1.40	0.00	0.00	1.45	1.54	1.60
21	1.47	0.00	0.00	1.52	1.63	1.69
22	1.55	0.00	0.00	1.60	1.71	1.77
23	1.62	0.00	0.00	1.67	1.79	1.86
24	1.69	0.00	0.00	1.75	1.87	1.94
25	1.77	0.00	0.00	1.83	1.95	2.03
26	1.84	0.00	0.00	1.90	2.03	2.11
27	1.91	0.00	0.00	1.96	2.11	2.20
28	1.99	0.00	0.00	2.05	2.19	2.28
29	2.06	0.00	0.00	2.13	2.28	2.36
30	2.13	0.00	0.00	2.21	2.36	2.45
31	2.21	0.00	0.00	2.28	2.44	2.53
32	2.28	0.00	0.00	2.36	2.52	2.62
33	2.36	0.00	0.00	2.43	2.60	2.70
34	2.43	0.00	0.00	2.51	2.68	2.79
35	2.50	0.00	0.00	2.59	2.76	2.87
36	2.58	0.00	0.00	2.66	2.84	2.96
37	2.65	0.00	0.00	2.74	2.93	3.04
38	2.72	0.00	0.00	2.81	3.01	3.12
39	2.80	0.00	0.00	2.89	3.09	3.21
40	2.87	0.00	0.00	2.97	3.17	3.29
41	2.94	0.00	0.00	3.04	3.25	3.38
42	3.02	0.00	0.00	3.12	3.33	3.46
43	3.09	0.00	0.00	3.20	3.41	3.55
44	3.16	0.00	0.00	3.27	3.50	3.63
45	3.24	0.00	0.00	3.35	3.58	3.72
46	3.31	0.00	0.00	3.42	3.66	3.80
47	3.39	0.00	0.00	3.50	3.74	3.88
48	3.46	0.00	0.00	3.58	3.82	3.97
49	3.53	0.00	0.00	3.65	3.90	4.05
50	3.61	0.00	0.00	3.73	3.98	4.14
51	3.68	0.00	0.00	3.80	4.06	4.22
End of Year Fund Balance	\$752.5	\$630.8	\$503.8	\$510.1	\$531.9	\$572.5



**MEMORANDUM**

**To:** Senate Commerce Committee  
**From:** Jeffrey A. Chanay  
**Date:** February 16, 1995  
**Subject:** Kansas Employment Security Law/Senate Bill 235

---

Madame Chairman and Members of the Committee:

My name is Jeff Chanay, and I appear today as General Counsel for the Kansas Association of Homes and Services for the Aging (KAHSA), and in favor of SB 235. The Kansas Association of Homes and Services for the Aging represents over 150 not-for-profit retirement, nursing, and community service providers throughout Kansas. KAHSA members provide diverse services to elderly Kansas citizens in a variety of settings, and provide more than 9,600 nursing facility beds, 3,900 senior duplexes and apartments, and a wide range of community services such as assisted living/personal care, home health care, congregate meals, and adult and intergenerational day care. KAHSA members employ more than 12,000 Kansans, and in many Kansas towns, the local nursing home is the largest employer in the community. Most KAHSA members are contributing employers with positive account balances under the Kansas Employment Security Law. As such, KAHSA member facilities will be greatly benefited by the passage of SB 235.

Other conferees will testify concerning the benefits of SB 235 to for-profit Kansas employers. I testify today to point out the benefits of SB 235 to not-for-profit businesses, and in particular, the long term care industry.

The need to reduce the Unemployment Insurance Trust Fund has been well-documented. Clearly, the Trust Fund is overfunded by more than \$225 million over the amount needed to be fiscally prudent. The only real question is how to reduce the Trust Fund balance while ensuring that the Trust Fund is large enough to cover emergency situations. It is the position of KAHSA that SB 235 meets both of these needs.

In a not-for-profit business, because revenues that exceed expenses cannot inure to the benefit of any owner or shareholder, excess revenues must be reinvested into the business. In the case of a long term care facility, such excess revenues can be reinvested in three areas: employee wages and benefits, capital improvements, or resident care. The investment of dollars in any of these three areas is socially desirable. SB 235 will create excess revenues for not-for-profit long term care facilities and will allow those facilities to make significant investments in these areas.

*February 16, 1995*  
*Commerce*  
*Attachment 2*

In addition, most long term care facilities are certified to participate in the Medicaid program. Reimbursement rates are based upon the reasonable and necessary costs incurred by the participating facility. SB 235 will lower the unemployment insurance costs of a Medicaid-certified facility and consequently the State will expend fewer Medicaid-match dollars as part of the facility's reimbursement rate. Thus, SB 235 will create other derivative benefits for the state.

SB 235 is more than a tax relief bill. This legislation will spur economic development and business activity. From the standpoint of a not-for-profit business, increased for-profit business activity will result in larger private donations to tax-exempt organizations. Again, such private donations will help keep state social service spending down.

Previously KAHSA has testified in favor of House Bill 2305, which creates a two-year moratorium on unemployment taxes. HB 2305 is more of an economic development measure than SB 235, and would allow businesses to realize their tax savings quicker than the Senate Bill. Also, HB 2305 creates more immediate, derivative benefits for the state than does SB 235.

Thank you for your consideration of this matter, and KAHSA asks that the Committee report SB 235 favorably for passage, but asks that the Committee consider amending the bill to mirror HB 2305.



**MANPOWER**  
TEMPORARY SERVICES

## STATEMENT OF TESTIMONY Senate Commerce Committee

**DATE:** February 20, 1995

**RE:** Senate Bill 235 & House Bill 2305, relating to KS Employment Security Law

**FROM:** Jacki Summerson, Manpower Temporary Services (913/267-4060)

My husband and I own and operate the Manpower Temporary Services franchise offices in Kansas. We have seventeen offices throughout the state. Our company is one of several employers in the State of Kansas that provide thousands of employment opportunities to people who are in the process of looking for permanent employment but need work or simply want limited employment. On the average, we employ approximately 3,000 people per week. In 1994, we sent out about 16,000 W-2s. Some of these people would otherwise be drawing unemployment benefits if we didn't provide them with work.

The Kansas Unemployment Trust Fund has grown to a current balance of \$726 million. If nothing is done, it will continue to grow to \$800 million by the end of 1995. That would pay unemployment benefits for almost 5 years without collecting any additional taxes or drawing any interest. The Kansas fund is the second healthiest fund when compared to all other states. The purpose of this bill is to lower the balance of the fund to a reasonable and prudent amount of approximately \$500 million and to return the excess dollars to the employers who have paid in excessive unemployment taxes. This bill does **NOT** impact benefits paid to unemployed workers.

Senate Bill 235 gives a moratorium to all employers with a reserve ratio equal to or greater than 20%. It also decreases the rates by 40% for all other positive balance employers. I am a large positive balance employer. My account balance would pay my average annual claims for 26 years, and yet I do not have a reserve ratio of 20% to qualify for a moratorium under the proposal in Senate Bill 235. Yes, I would get a reduction in rates under Senate Bill 235, but when my account balance is large enough to pay my claims for 26 years, I believe I should get the moratorium. The problem is that the reserve ratio is not a fair way to evaluate an employer. In effect, any company that is expanding and has a growing payroll is penalized because their reserve ratio has dropped. Senate Bill 235 is better than no change at all, however, I prefer House Bill 2305 that gives all positive balance employers a moratorium.

Topeka, Kansas 66611  
2901 Burlingame  
(913) 267-4060

Manhattan, Kansas 66502  
555 Poyntz, Suite 245  
(913) 776-1094

Lawrence, Kansas 66044  
211 East 8th Street, Suite B  
(913) 749-2800

Emporia, Kansas 66801  
707 W. 6th Avenue  
(316) 342-5751

Junction City, Kansas 66441  
838A S. Washington  
(913) 776-1094

Ottawa, Kansas 66067  
407 South Main  
(913) 242-1002

Osage City, Kansas 66523  
518 Market  
(913) 528-8152

*Attachment 3.*

House Bill 2305 is a very fair bill. It establishes a moratorium on unemployment taxes for all "positive account balance" employers for a period of two years. The moratorium will be retroactive to January 1, 1995 so that no taxes will be due on April 30, 1995 for the 1st quarter of 1995 wages. All new employers will pay at a much reduced rate of 1% and all "negative account balance" employers will continue to pay at their current rate. The goal is to reduce the fund to a balance of approximately \$500 million and to maintain it at that level. The taxes will be reinstated after a period of two years at a reduced level that will maintain the fund at \$500 million due to a change in Schedule III. (There is a provision to reinstate the taxes earlier in case of excessive layoffs in the state.)

By placing a moratorium on unemployment taxes, this bill also has an economic impact on the state since employers will have extra money to invest in additional equipment, additional jobs, etc. Employers will have extra money to spend on buying new equipment, expanding their facilities, and creating new jobs. In addition, new employers could be attracted to Kansas since their unemployment rate will be almost 70% less than the current rate for new employers in the state.

In our case, the extra money from the savings of these taxes would allow us to open several more offices throughout the State. By opening more offices, we would buy more equipment in the state, provide at least 400-500 new jobs. In addition, we would buy several new computers for our offices to expand the *free* computer training that is offered for our temporary employees. This allows them to improve their job skills and improve their chances for obtaining a permanent job.

Most business people are bright enough to realize that this is a one time moratorium on unemployment taxes and that the taxes will be reinstated after a period of two years. If you are concerned that smaller businesses may be confused by this, keep in mind that unemployment taxes are not normally a high expense to a small company. For example, a company with 10 employees and a fairly high contribution rate of 3% pays only \$2,400 per year in unemployment taxes.

It has been suggested that the Department send out a voluntary survey each quarter asking employers how the savings was spent. This survey could also serve as a reminder to employers that the moratorium expires in January, 1997, so that they do not forget that the taxes will start up again at that time.

Perhaps the two bills can be combined so that the moratorium is put into place for two years and then continues only for those employers with a reserve ratio equal to or greater than 20%. Giving employers a moratorium simply gives us a two year infusion of cash that we can expand our businesses with. As I said earlier, Senate Bill 235 is better than nothing at all, but I ask for your support on House Bill 2305 instead.