Approved: 2-16-99
Date

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

The meeting was called to order by Chairperson Al Lane at 9:05 a.m. on February 9, 1999 in Room 521-S of the Capitol.

All members were present except: Rep. Jerry Aday - excused

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

Conferees appearing before the committee: Bill Layes, KDHR

Others attending: See attached list

Chairman Lane announced that if the decision on the reinstatement of the employment security tax is not made in the committee's regular meeting today or tomorrow, the committee will meet again at 5:00 p.m. on Wednesday evening.

Bill Layes, Chief of Labor Market Information Services at the Kansas Department of Human Resources, appeared today to present several funding options for the Unemployment Insurance Trust Fund for tax years 2000 and beyond. Positive balance employers, due to the tax moratorium, have paid no unemployment taxes since 1995. The moratorium will end at the end of calendar year 99 (CY99). He explained the graphs which showed several tax options and their impact on the trust fund. (<u>See Attachment 1</u>) Following his testimony, Mr. Layes answered questions from the committee.

The committee did not want the employers to suffer sticker shock when the tax is reinstated. Mr. Layes stated that when the positive balance employers received statements from KDHR for years when the moratorium was in effect, the forms showed no taxes owed, but the amount that would have been paid without the moratorium was prominently displayed, so they were aware of their savings.

<u>Rep. Grant made a motion to start off with option two for three years with the understanding that KDHR will monitor the fund's balance for adjustments. This would allow a change to be made next session if the balance needs to be adjusted. The motion was seconded by Rep. Ruff. The motion passed.</u>

Bob Nugent, Revisor, will now finish drafting the bill concerning the rate for unemployment tax that was requested on January 28, 1999, and it will be introduced later this week in the House.

The committee was adjourned at 9:37 a.m.

The next meeting is scheduled for February 11, 1999.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE February 9, 1999

NAME	REPRESENTING
Bill Larsell	BOEING
Art Brown	Mid-Am Lumbermens
Tom Slattery	AGC of KS
Bill Layes	KDHR
Ron Sicka	KDHR
PAUL BICKNELL	KDHR
Wayne Maichel	K AFL-CIO
Many did not sign in as list was not passed to whole guest area.	

TESTIMONY
HOUSE BUSINESS, COMMERCE, AND LABOR COMMITTEE
FUNDING OPTIONS FOR UNEMPLOYMENT INSURANCE
FEBRUARY 9, 1999

Good morning Mr. Chairman and members of the Committee. My name is Bill Layes. I am Chief of Labor Market Information Services at the Kansas Department of Human Resources. I welcome the opportunity to appear before you today to present testimony on funding options for the Unemployment Insurance Trust Fund for tax years 2000 and beyond. As you are aware, positive balance employers in Kansas, due to the tax moratorium, have paid no unemployment insurance taxes since 1994. Under current law, the moratorium will expire at the end of CY 1999. It is our intent to provide, for the Committee's consideration, tax options available and their economic impact on the trust fund.

The following materials are provided:

- Graph 1: Estimated Tax Revenues CY 1999 – 2002
- Graph 2: Estimated Trust Fund Balances CY 1999 – 2002
- Graph 3: Measures of Adquacy CY 1999 – 2002

The graphs were prepared based on the following assumptions:

• **average insured unemployment rate**	**1.2%**
• **average wage growth**	**5.0%**
• **average employment growth**	**2.5%**

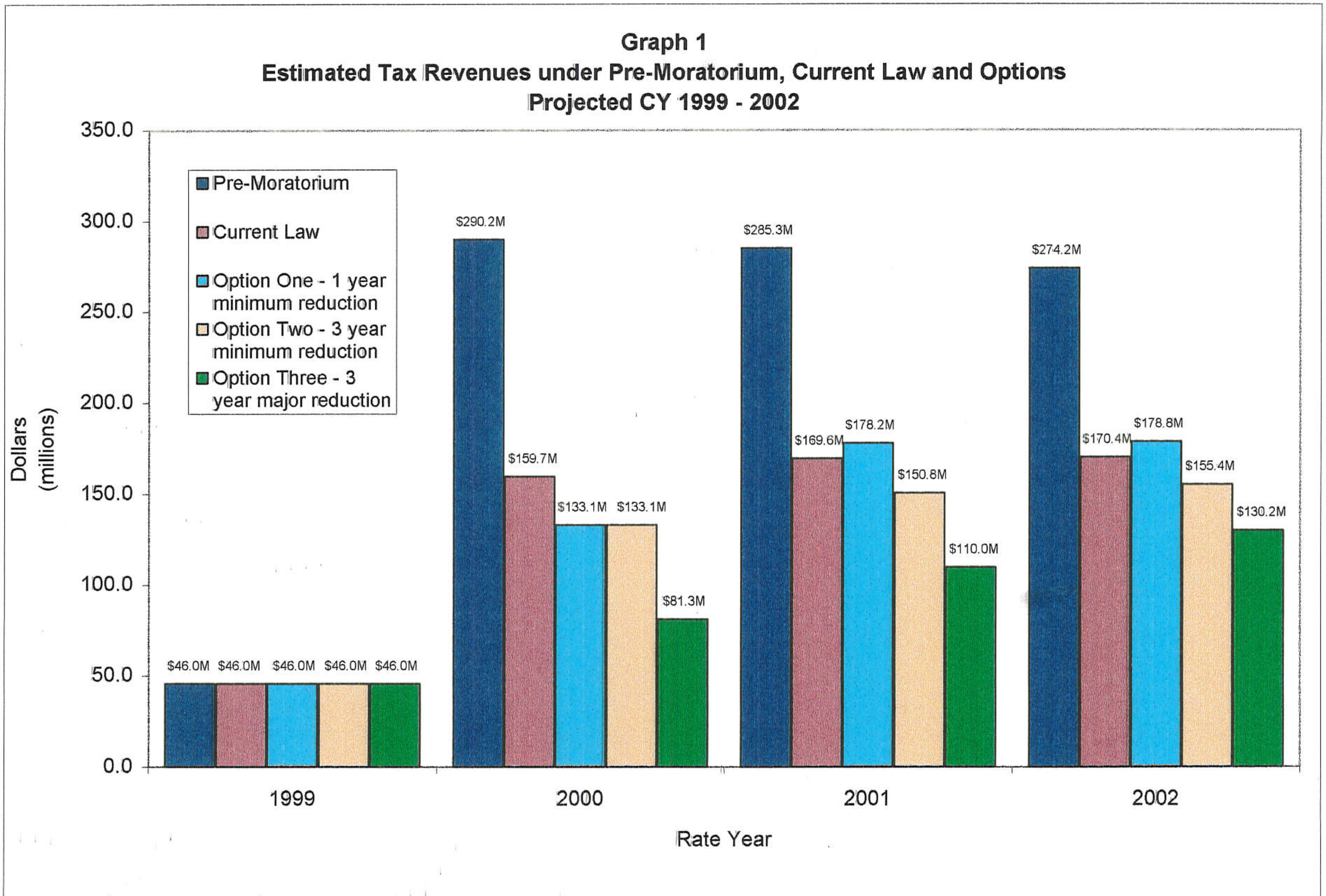
The following options are provided for your review:

- pre-moratorium law
- current law
- one-year minimum reduction (Option 1)
- three-year minimum reduction (Option 2)
- three-year maximum reduction (Option 3)

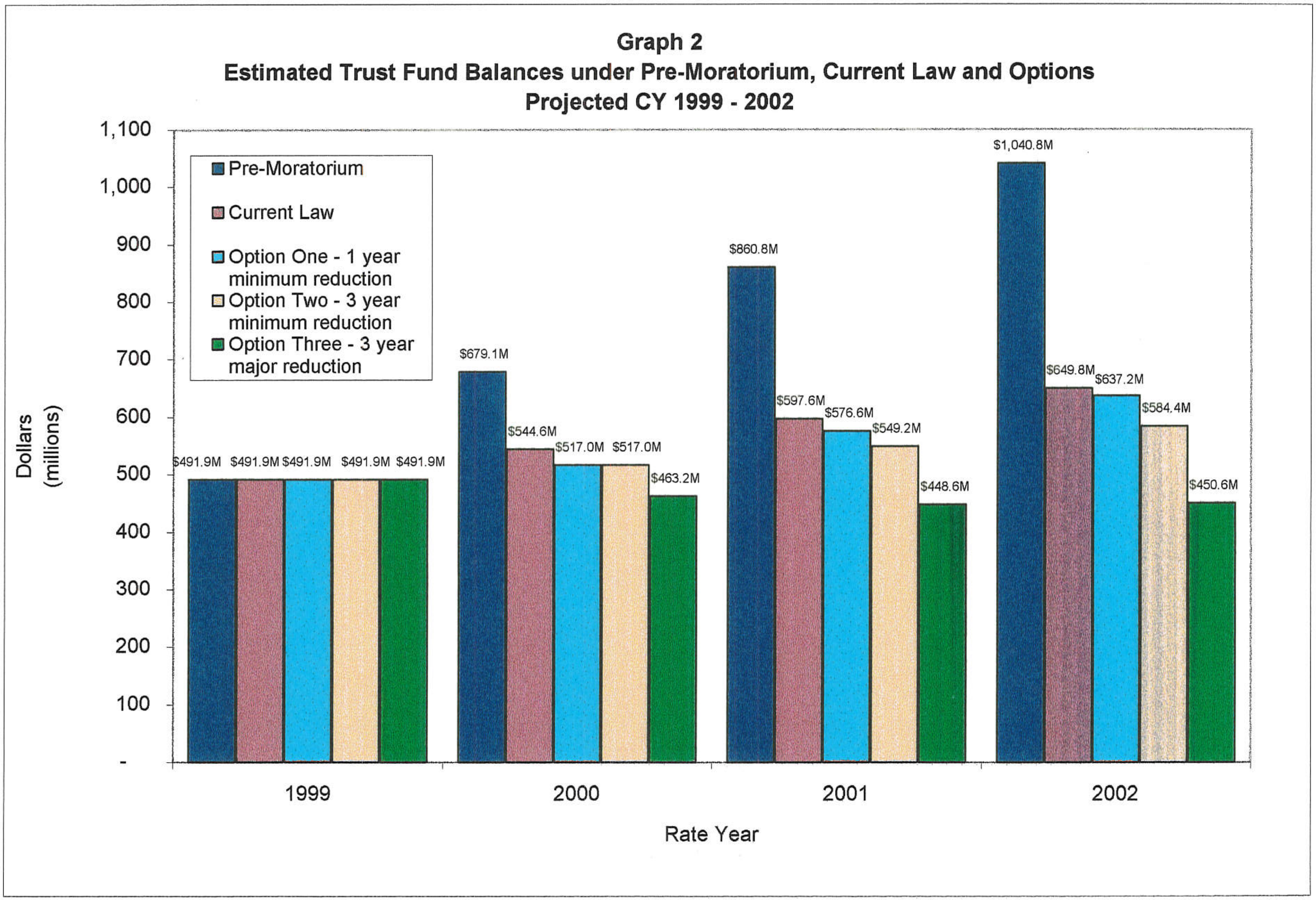
HOUSE BUSINESS, COMMERCE & LABOR COMM.
2-9-99
Attachment 1

If taxing provisions in the current law are allowed to stand, tax receipts in rate year 2000 and beyond will be at levels approximately one-half of what they were in years prior to the moratorium, i.e. 1994 and earlier. Options 1 – 3 will further reduce tax collections beyond that specified in the current statute.

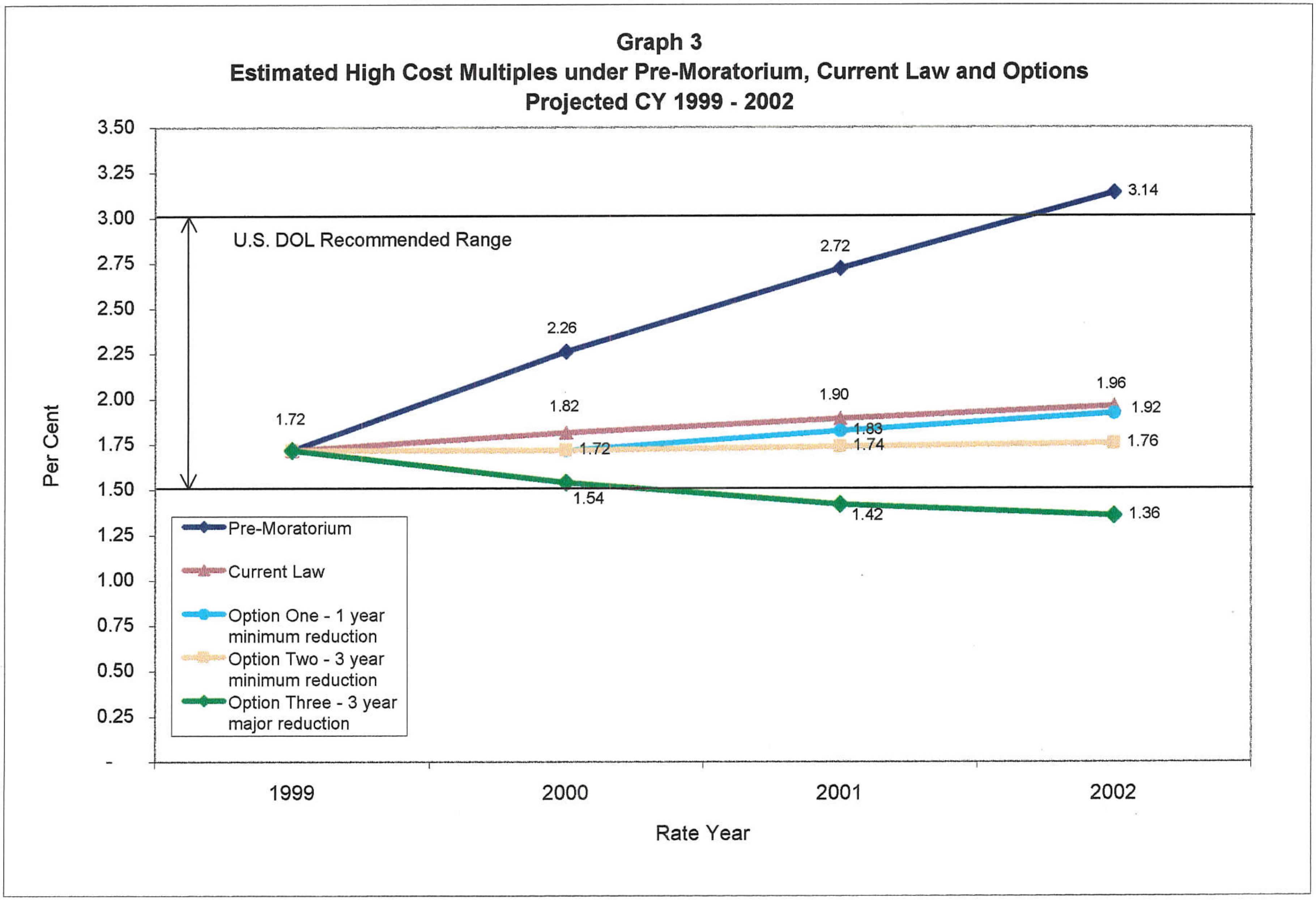
It is my intent to review the attached materials and answer questions.



NOTE: All 1999 contributions are calculated using current Schedule III (.4).



NOTE: All 1999 balances are calculated using current Schedule III (.4).



NOTE: All 1999 ratios are calculated using current Schedule III (.4).

Graph 3 shows the high cost multiple (HCM) figures for the current law and the options. The high cost multiple is an actuarial tool used to evaluate the adequacy of monetary reserves in the trust fund. Simply stated, the HCM measures the fund's capacity to pay benefits in terms of the highest 12-month payout experienced in Kansas over the past 15 years. A HCM of 1.5 equates to the state's ability to pay benefits for 18 months, one and one-half times the high cost period, before depleting the fund. The accepted USDOL minimum safe level is 1.5 per cent with desired levels between 2.0 and 3.0. The current HCM in Kansas is 1.1 per cent. The high cost 12-month period in the last 15 years is April 1986 through March 1987 when benefit costs accounted for 1.03 per cent of total wages.

$$\frac{\dfrac{\text{Reserves Available}}{\text{Total Wages (current)}}}{\dfrac{\text{Benefits Paid (high period)}}{\text{Total Wages (high period)}}} = \frac{\text{Reserve Fund Ratio (current)}}{\text{Benefit Cost Rate (high, last 15 years)}} = \text{High Cost Multiple}$$