

Approved: 2/15/10

Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:02 a.m. on January 21, 2010, in Room 784 of the Docking State Office Building.

All members were present except:

Representative Ron Worley- excused

Committee staff present:

Art Griggs, Office of the Revisor of Statutes

Renae Jefferies, Office of the Revisor of Statutes

Jerry Donaldson, Kansas Legislative Research Department

Dennis Hodgins, Kansas Legislative Research Department

Stephen Bainum, Committee Assistant

Conferees appearing before the Committee:

Jim Garner, Secretary, Department of Labor

Others attending:

See attached list.

Several of the Representatives introduced their pages that were in attendance to the meeting.

Jim Garner, Secretary, Department of Labor presented copies of his PowerPoint presentation entitled "A Guide to Understanding the Kansas Unemployment Insurance Tax Rates (Attachment 1)". His presentation explained how the Unemployment Insurance funds are placed in the UI Trust Fund. First they determine the amount of money to be raised to maintain solvency in the Trust Fund. There are several Tax Rates for Employers. Some factors that determine the Tax Rate are the industry they are in and whether they have a positive or negative balance in their account.

The Chairman asked the Secretary to talk about the mechanism of borrowing money. Why do we have to be at the \$750 million range? The concern is that we will be creating unemployment because businesses don't have the money to pay back the loan from the Federal government. The Secretary said that the figure was based on national projections of unemployment in Kansas. In 2009 the projections changed three times. Hopefully they will change again in 2010 for the better. We do not ask for an amount from the US Treasury to be put into our account. Thirty days before the first quarter we think we will be borrowing money we have to notify them that we need to establish a relationship so that we can borrow funds for the next quarter. I did that for this quarter. The loan is done by a wire transfer into our account on a day by day basis.

Regarding paying back the funds, there is interest accessed on money borrowed under this program. However there will not be any interest accrued this year because of a provision in the Recovery Act. The interest has to be paid back each year. There is no time period set for paying back the principal of the loan. However if the debt is carried through two January's the Federal government will start reducing the tax credit that is given to employers under the Federal Unemployment Tax. The reduction would be three tenths of a percent reduction each year until the debt is paid off. The interest payments cannot be paid from the Trust Fund. Many states have an interest payment surcharge to take care of the interest payment. The interest rate is around four percent. However this year the money would be borrowed at a zero percent rate.

The next meeting is scheduled for January 26, 2010.

The meeting was adjourned at 10:35 a.m.

COMMERCE & LABOR COMMITTEE

DATE: 1-21-10

NAME	REPRESENTING
Kendra Hanson	Hein Law Firm
Judy Macy	KDOL/UT
Bob Lierz	KDOL
Joe Dunning	KDOL
Duy Pham	Rep. Ruiz
Sara Freeman	Rep. Grange
Jim Garner	KDOL
Megan Bottenberg	KDOL
Heather Sovern	KDOL
Inayat Noormahad	KDOL
Andy Sanchez	KS AFL-CIO
William Gardenhire	Sen. Umbarger
Michelle Colombo	K Chamber
Notatie Brice	KS. SHRM
Hillary Parker	Rep. Annie Tietze
Suzanne Cook	Pres. Delia Garcia

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KANSAS
DEPARTMENT OF LABOR

A Guide to Understanding the Kansas Unemployment Insurance Tax Rates

Labor Market Information Services
January, 2010

House Commerce & Labor
Date: 1-21-10
Attachment # 1

Employer Tax Rate Contributions

1-2

- Tax rate contributions are placed in the UI Trust Fund
- The UI Trust Fund is used to make benefit payments to qualified unemployed individuals
- Tax rates are influenced by several factors:
 - Length of time in business and industry sector
 - Experience rating (use of unemployment system)
 - Average annual payroll
 - Trust Fund balance
- Reduced tax rates or Standard Tax rates – 2007 SB 83
- Reduced Tax Rates not triggered for 2010

Phase One: Planned Yield

1-3

- Planned yield – the amount of money to be raised pursuant to statutory formula with the goal of maintaining Trust Fund solvency
- Expressed in terms of Reserve Fund Ratio

$$= \frac{\text{Trust Fund Balance (July 31st)}}{\text{Total Payroll from Contributing Employers (FY)}}$$

$$2010 \text{ RFR} = \frac{\$348,964,208}{\$39,884,620,223} = 0.875\%$$

- RFR is translated into the percentage of total payroll required to generate the necessary yield using Schedule III (K.S.A. 44-710a)

Schedule III - Fund Control Ratio to Total Wages

4-1

44-710a

Employment Security Law

44-710a

SCHEDULE III - Fund Control Ratio to Total Wages

Column A Reserve Fund Ratio	Column B Planned Yield		
4.500 and over.....	0.00	2.300 but less than 2.350.....	0.54
4.475 but less than 4.500.....	0.01	2.250 but less than 2.300.....	0.55
4.450 but less than 4.475.....	0.02	2.200 but less than 2.250.....	0.56
4.425 but less than 4.450.....	0.03	2.150 but less than 2.200.....	0.57
4.400 but less than 4.425.....	0.04	2.100 but less than 2.150.....	0.58
4.375 but less than 4.400.....	0.05	2.050 but less than 2.100.....	0.59
4.350 but less than 4.375.....	0.06	2.000 but less than 2.050.....	0.60
4.325 but less than 4.350.....	0.07	1.975 but less than 2.000.....	0.61
4.300 but less than 4.325.....	0.08	1.950 but less than 1.975.....	0.62
4.275 but less than 4.300.....	0.09	1.925 but less than 1.950.....	0.63
4.250 but less than 4.275.....	0.10	1.900 but less than 1.925.....	0.64
4.225 but less than 4.250.....	0.11	1.875 but less than 1.900.....	0.65
4.200 but less than 4.225.....	0.12	1.850 but less than 1.875.....	0.66
4.175 but less than 4.200.....	0.13	1.825 but less than 1.850.....	0.67
4.150 but less than 4.175.....	0.14	1.800 but less than 1.825.....	0.68
4.125 but less than 4.150.....	0.15	1.775 but less than 1.800.....	0.69
4.100 but less than 4.125.....	0.16	1.750 but less than 1.775.....	0.70
4.075 but less than 4.100.....	0.17	1.725 but less than 1.750.....	0.71
4.050 but less than 4.075.....	0.18	1.700 but less than 1.725.....	0.72
4.025 but less than 4.050.....	0.19	1.675 but less than 1.700.....	0.73
4.000 but less than 4.025.....	0.20	1.650 but less than 1.675.....	0.74
3.950 but less than 4.000.....	0.21	1.625 but less than 1.650.....	0.75
3.900 but less than 3.950.....	0.22	1.600 but less than 1.625.....	0.76
3.850 but less than 3.900.....	0.23	1.575 but less than 1.600.....	0.77
3.800 but less than 3.850.....	0.24	1.550 but less than 1.575.....	0.78
3.750 but less than 3.800.....	0.25	1.525 but less than 1.550.....	0.79
3.700 but less than 3.750.....	0.26	1.500 but less than 1.525.....	0.80
3.650 but less than 3.700.....	0.27	1.475 but less than 1.500.....	0.81
3.600 but less than 3.650.....	0.28	1.450 but less than 1.475.....	0.82
3.550 but less than 3.600.....	0.29	1.425 but less than 1.450.....	0.83
3.500 but less than 3.550.....	0.30	1.400 but less than 1.425.....	0.84
3.450 but less than 3.500.....	0.31	1.375 but less than 1.400.....	0.85
3.400 but less than 3.450.....	0.32	1.350 but less than 1.375.....	0.86
3.350 but less than 3.400.....	0.33	1.325 but less than 1.350.....	0.87
3.300 but less than 3.350.....	0.34	1.300 but less than 1.325.....	0.88
3.250 but less than 3.300.....	0.35	1.275 but less than 1.300.....	0.89
3.200 but less than 3.250.....	0.36	1.250 but less than 1.275.....	0.90
3.150 but less than 3.200.....	0.37	1.225 but less than 1.250.....	0.91
3.100 but less than 3.150.....	0.38	1.200 but less than 1.225.....	0.92
3.050 but less than 3.100.....	0.39	1.175 but less than 1.200.....	0.93
3.000 but less than 3.050.....	0.40	1.150 but less than 1.175.....	0.94
2.950 but less than 3.000.....	0.41	1.125 but less than 1.150.....	0.95
2.900 but less than 2.950.....	0.42	1.100 but less than 1.125.....	0.96
2.850 but less than 2.900.....	0.43	1.075 but less than 1.100.....	0.97
2.800 but less than 2.850.....	0.44	1.050 but less than 1.075.....	0.98
2.750 but less than 2.800.....	0.45	1.025 but less than 1.050.....	0.99
2.700 but less than 2.750.....	0.46	1.000 but less than 1.025.....	1.00
2.650 but less than 2.700.....	0.47	0.900 but less than 1.000.....	1.01
2.600 but less than 2.650.....	0.48	0.800 but less than 0.900.....	1.02
2.550 but less than 2.600.....	0.49	0.700 but less than 0.800.....	1.03
2.500 but less than 2.550.....	0.50	0.600 but less than 0.700.....	1.04
2.450 but less than 2.500.....	0.51	0.500 but less than 0.600.....	1.05
2.400 but less than 2.450.....	0.52	0.400 but less than 0.500.....	1.06
2.350 but less than 2.400.....	0.53	0.300 but less than 0.400.....	1.07
		0.200 but less than 0.300.....	1.08
		0.100 but less than 0.200.....	1.09
		Less than 0.100%.....	1.10

2010 RFR = .875

1.02% of total wages will provide the required yield

1-4



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Schedule III - Fund Control Ratio to Total Wages

1-5

- Schedule III provides the tax rate on total wages needed to generate the required yield
- Employers are not taxed based on total wages. Taxable wages are limited to the first \$8,000 of wages per employee

Average Tax Rate for 2010:

<u>Total Wages</u>	<u>Taxable Wages</u>
1.02%	4.37%

Planned Yield

1-6

- Taxable Wages for Fiscal Year 2009 were \$9,312,126,920
- Planned Yield for 2010 is determined by multiplying the taxable wages by the rate

$$\begin{aligned} &\text{Planned Yield for 2010:} \\ &\$9,312,126,920 \times 4.37\% = \$406,939,946 \end{aligned}$$

- The Planned Yield for 2009 was \$304 million, but reduced rates reduced the Yield to \$198 million
- This Planned Yield is collected from Kansas employers for deposit into the Unemployment Insurance Trust Fund to be used for UI benefit payment



Types of Employers

- Ineligible – new employers who do not have 24 consecutive months of chargeability are not eligible for experience rating
- Positive eligible – employers who are eligible for experience rating who have paid in more money in contributions than the amount of benefits charged against their account
- Negative eligible – employers who are eligible for experience rating who have had more money charged against their account for benefits than they have paid in contributions

Employer Tax Rates

1-8

- Ineligible employers have set rates:
 - 6.0% - Construction industry
 - 4.0% - All other industries
- Positive balance employers:
 - Rate is determined based on their UI experience
 - Arrayed across 51 rate groups
 - Maximum rate is 5.4%
- Negative balance employers:
 - Rate is 5.4% plus a surcharge that is based on their account balance and average annual payroll
 - Surcharge ranges from 0.2% to 2.0%
 - Rates will range from 5.6% to 7.4%



1-8

Employer Tax Rates

6-1

- Planned Yield is identified
- The estimated amount that will be obtained from ineligible employers paying 4.0% and 6.0% is deducted from the required amount
- The estimated amount that will be obtained from negative balance employers paying a minimum rate of 5.4% is deducted from the remaining required amount
- The remaining amount of money needed to be collected from positive balance employers is then used to compute the tax rates that will need to be charged to each experience rating group

2010 Employer Tax Collection

1-10

2010 Planned Yield = \$406,939,946

Amount Collected from:

- Ineligible Employers = \$13,880,097
- Negative Balance Employers = \$72,721,140
- Positive Balance Employers = \$320,298,763

Total Estimated Yield = \$406,900,000



Positive Balance Employers

- Positive balanced employers arrayed across 51 rate groups
 - Based on individual employer's reserve ratio
 - Ratio of employer's account balance to employer's average annual payroll
- Employers with more favorable ratios are placed in the lower numbered rate groups
- Goal is to equally spread wages across each of 51 rate groups (1.96% of taxable wages in each rate group)

2010 Original Tax Rate Computation

1-12

Rate Group	Experience Factor	Taxable Wages	Contribution Rate	Yield	Rate Group	Experience Factor	Taxable Wages	Contribution Rate	Yield
1	0.025	\$ 148,528,850	0.11	\$ 163,382	26	1.00	\$ 150,581,983	4.23	\$ 6,369,618
2	0.04	\$ 148,461,850	0.17	\$ 252,385	27	1.04	\$ 144,034,789	4.40	\$ 6,337,531
3	0.08	\$ 148,498,310	0.34	\$ 504,894	28	1.08	\$ 148,358,032	4.57	\$ 6,779,962
4	0.12	\$ 148,530,646	0.51	\$ 757,506	29	1.12	\$ 147,186,969	4.74	\$ 6,976,662
5	0.16	\$ 149,792,303	0.68	\$ 1,018,588	30	1.16	\$ 149,051,576	4.90	\$ 7,303,527
6	0.20	\$ 147,335,773	0.85	\$ 1,252,354	31	1.20	\$ 155,055,579	5.07	\$ 7,861,318
7	0.24	\$ 148,318,322	1.01	\$ 1,498,015	32	1.24	\$ 144,750,875	5.24	\$ 7,584,946
8	0.28	\$ 148,858,847	1.18	\$ 1,756,534	33	1.28	\$ 147,102,093	5.41	\$ 7,958,223
9	0.32	\$ 149,840,089	1.35	\$ 2,022,841	34	1.32	\$ 146,088,151	5.58	\$ 8,151,719
10	0.36	\$ 151,313,817	1.52	\$ 2,299,970	35	1.36	\$ 148,718,972	5.75	\$ 8,551,341
11	0.40	\$ 144,412,299	1.69	\$ 2,440,568	36	1.40	\$ 159,235,961	5.92	\$ 9,426,769
12	0.44	\$ 148,612,838	1.86	\$ 2,764,199	37	1.44	\$ 137,621,515	6.09	\$ 8,381,150
13	0.48	\$ 153,583,591	2.03	\$ 3,117,747	38	1.48	\$ 148,450,927	6.26	\$ 9,293,028
14	0.52	\$ 170,247,135	2.20	\$ 3,745,437	39	1.52	\$ 148,498,769	6.43	\$ 9,548,471
15	0.56	\$ 121,144,902	2.37	\$ 2,871,134	40	1.56	\$ 148,919,679	6.60	\$ 9,828,699
16	0.60	\$ 167,971,232	2.54	\$ 4,266,469	41	1.60	\$ 149,063,790	6.76	\$ 10,076,712
17	0.64	\$ 129,716,758	2.71	\$ 3,515,324	42	1.64	\$ 147,535,583	6.93	\$ 10,224,216
18	0.68	\$ 279,300,606	2.88	\$ 8,043,857	43	1.68	\$ 149,168,016	7.10	\$ 10,590,929
19	0.72	\$ 17,697,899	3.04	\$ 538,016	44	1.72	\$ 149,207,094	7.27	\$ 10,847,356
20	0.76	\$ 148,010,584	3.21	\$ 4,751,140	45	1.76	\$ 147,011,453	7.44	\$ 10,937,652
21	0.80	\$ 150,713,781	3.38	\$ 5,094,126	46	1.80	\$ 148,935,637	7.61	\$ 11,334,002
22	0.84	\$ 146,160,575	3.55	\$ 5,188,700	47	1.84	\$ 148,130,716	7.78	\$ 11,524,570
23	0.88	\$ 149,159,748	3.72	\$ 5,548,743	48	1.88	\$ 148,576,480	7.95	\$ 11,811,830
24	0.92	\$ 147,840,511	3.89	\$ 5,750,996	49	1.92	\$ 148,797,393	8.12	\$ 12,082,348
25	0.96	\$ 152,559,729	4.06	\$ 6,193,925	50	1.96	\$ 148,664,679	8.29	\$ 12,324,302
					51	2.00	\$ 150,889,857	8.46	\$ 12,765,282
									<u>\$ 320,229,013</u>

- The maximum rate calculated was 8.46%
- According to Employment Security Law, the maximum allowable tax rate is 5.4%
- All rate groups over that percentage must be recalculated and other groups' rates must be raised in order to generate the required yield

Tax Rate Compression

1-13

- Any rate group with a tax rate exceeding 5.4% is adjusted to meet the maximum allowable tax rates
- Rates for employers with more positive experience ratings are raised accordingly so that the required yield can be obtained while no rate group exceeds 5.4%
- Collected on the first \$8,000 of payroll
- 29 of the 51 rate groups are at the 5.4% limit



2010 Adjusted Tax Rates

1-14

Rate Group	Experience Factor	Taxable Wages	Contribution Rate	Yield	Rate Group	Experience Factor	Taxable Wages	Contribution Rate	Yield
1	0.025	\$ 148,528,850	0.16	\$ 237,646	26	1.00	\$ 150,581,983	5.40	\$ 8,131,427
2	0.04	\$ 148,461,850	0.26	\$ 386,001	27	1.04	\$ 144,034,789	5.40	\$ 7,777,879
3	0.08	\$ 148,498,310	0.51	\$ 757,341	28	1.08	\$ 148,358,032	5.40	\$ 8,011,334
4	0.12	\$ 148,530,646	0.77	\$ 1,143,686	29	1.12	\$ 147,186,969	5.40	\$ 7,948,096
5	0.16	\$ 149,792,303	1.02	\$ 1,527,881	30	1.16	\$ 149,051,576	5.40	\$ 8,048,785
6	0.20	\$ 147,335,773	1.28	\$ 1,885,898	31	1.20	\$ 155,055,579	5.40	\$ 8,373,001
7	0.24	\$ 148,318,322	1.54	\$ 2,284,102	32	1.24	\$ 144,750,875	5.40	\$ 7,816,547
8	0.28	\$ 148,858,847	1.79	\$ 2,664,573	33	1.28	\$ 147,102,093	5.40	\$ 7,943,513
9	0.32	\$ 149,840,089	2.05	\$ 3,071,722	34	1.32	\$ 146,088,151	5.40	\$ 7,888,760
10	0.36	\$ 151,313,817	2.30	\$ 3,480,218	35	1.36	\$ 148,718,972	5.40	\$ 8,030,824
11	0.40	\$ 144,412,299	2.56	\$ 3,696,955	36	1.40	\$ 159,235,961	5.40	\$ 8,598,742
12	0.44	\$ 148,612,838	2.82	\$ 4,190,882	37	1.44	\$ 137,621,515	5.40	\$ 7,431,562
13	0.48	\$ 153,583,591	3.07	\$ 4,715,016	38	1.48	\$ 148,450,927	5.40	\$ 8,016,350
14	0.52	\$ 170,247,135	3.33	\$ 5,669,230	39	1.52	\$ 148,498,769	5.40	\$ 8,018,934
15	0.56	\$ 121,144,902	3.58	\$ 4,336,987	40	1.56	\$ 148,919,679	5.40	\$ 8,041,663
16	0.60	\$ 167,971,232	3.84	\$ 6,450,095	41	1.60	\$ 149,063,790	5.40	\$ 8,049,445
17	0.64	\$ 129,716,758	4.10	\$ 5,318,387	42	1.64	\$ 147,535,583	5.40	\$ 7,966,921
18	0.68	\$ 279,300,606	4.35	\$ 12,149,576	43	1.68	\$ 149,168,016	5.40	\$ 8,055,073
19	0.72	\$ 17,697,899	4.61	\$ 815,873	44	1.72	\$ 149,207,094	5.40	\$ 8,057,183
20	0.76	\$ 148,010,584	4.86	\$ 7,193,314	45	1.76	\$ 147,011,453	5.40	\$ 7,938,618
21	0.80	\$ 150,713,781	5.12	\$ 7,716,546	46	1.80	\$ 148,935,637	5.40	\$ 8,042,524
22	0.84	\$ 146,160,575	5.38	\$ 7,863,439	47	1.84	\$ 148,130,716	5.40	\$ 7,999,059
23	0.88	\$ 149,159,748	5.40	\$ 8,054,626	48	1.88	\$ 148,576,480	5.40	\$ 8,023,130
24	0.92	\$ 147,840,511	5.40	\$ 7,983,388	49	1.92	\$ 148,797,393	5.40	\$ 8,035,059
25	0.96	\$ 152,559,729	5.40	\$ 8,238,225	50	1.96	\$ 148,664,679	5.40	\$ 8,027,893
					51	2.00	\$ 150,889,857	5.40	\$ 8,148,052
									\$ 320,251,984

- According to Employment Security Law, the maximum allowable tax rate is 5.4%
- All rate groups over that percentage must be recalculated and other groups' rates must be raised in order to generate the required yield



1-14

Yearly Schedule

1-15

- Tax notices sent in mid-December
- Review and redetermination can be requested within 15 days
- Employers pay taxes each quarter
- First Quarterly Wage Report and payment of taxes due by end of April