

MINUTES OF THE HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

The meeting was called to order by Chairman Anthony R. Brown, at 1:30 p.m. on March 2, 2011, in Room 785 of the Docking State Office Building.

All members were present:

Committee staff present:

Renae Jefferies, Office of the Revisor of Statutes  
Ken Wilke, Office of the Revisor of Statutes  
Reed Holwegner, Kansas Legislative Research Department  
Raney Gilliland, Kansas Legislative Research Department  
Joyce Bishop, Committee Assistant

Conferees appearing before the Committee:

Kathie Sparks, Deputy Secretary, Kansas Department of Labor  
Inayat Noormohmad, Director/Senior Labor Economist, Labor Market Information Services

Others attending:

See attached list.

Kathie Sparks, Deputy Secretary, Kansas Department of Labor, presented an introduction to the Kansas Unemployment Insurance Program (Attachment 1).

Kathie Sparks, with assistance from Inayat Noormohmad, Director/Senior Labor Economist, Labor Market Information Services, Kansas Department of Labor, presented information regarding "A guide to Understanding the UI Trust Fund, Tax Contributions & Benefits" (Attachment 2).

As time was running short, it was agreed to stop and continue the presentation tomorrow beginning on page 25 (Attachment 2).

The meeting adjourned at 3:07 p.m.

# HOUSE COMMERCE & ECONOMIC DEVELOPMENT COMMITTEE

1:30pm,

Room 785, Docking State Office Building

## GUEST LIST

DATE: March 2, 2011

| NAME                   | REPRESENTING              |
|------------------------|---------------------------|
| Eric Stafford          | KS Chamber                |
| Justin McFarland       | KDOL                      |
| Page Rauthier          | Hein Law Firm             |
| Don Murray             | NFIB                      |
| Scott Paradise         | WOC                       |
| John C Grange          | 75 <sup>th</sup> District |
| Matt Casey             | GDA                       |
| <del>Christopher</del> | Sandstone group LLC       |
| Wigh Beck              | Capital Strategies        |
| Martha C. Smith        | KMHA                      |
| Natetic Bunge          | KS SHRM                   |
| Jennifer Bruning       | OP Chamber                |
| Karen Brownlee         | KDOL                      |
| TED HEVLEY             | 88.                       |
|                        |                           |
|                        |                           |
|                        |                           |
|                        |                           |



Karin Brownlee, Secretary

Department of Labor

Sam Brownback, Governor

**To:** House Committee on Commerce

**From:** Kathie Sparks, Deputy Secretary

**Re:** Unemployment Trust Fund

The following memorandum will explain the experience over the last two years of the Unemployment Trust Fund, including the effect of the downturn in the economy, projections estimated and actual, and the need for legislation.

## History

The federal-state unemployment compensation (UC) program was created by the Social Security Act (SSA) of 1935. Unemployment compensation is an insurance program and a federal-state partnership based upon federal law, but administered by state employees under state law.

Currently, almost all wage and salary workers now are covered by the federal-state program. Railroad workers are covered by a separate federal program. Ex-service members with recent service in the Armed Forces and civilian federal employees are covered by a federal program, with the states paying benefits from federal funds and acting as agents of the federal government.

The Federal Unemployment Tax Act (FUTA) is funded by a federal tax levied on covered employers at a current rate of 6.2 percent on wages up to \$7,000 a year paid to an employee. However, the law provides a credit against federal tax liability of up to 5.4 percent to employers who pay state taxes timely under a federally approved state Unemployment Compensation Program. The majority of Kansas employers do receive the maximum credit, therefore, paying a FUTA tax rate of 0.8 percent on the first \$7,000 of wages or salary paid to each employee. This equates to a maximum of \$56 per covered employee, per year.

The State Unemployment Tax Act (SUTA) is based on the first \$8,000 of wages or salaries paid by employers for each employee. As an aside, the \$8,000 amount has been in place since 1983. According to the State statutes, there are 51 positive rate classes of employers. The rate calculation is recomputed each calendar year based on the prior year's experience and total covered wages with a maximum rate of 5.4 percent applied.

House Commerce & Economic  
Development Committee

Date: 03/02/2011

Attachment #: 1-1

When an employer's total contributions are less than the benefits paid to former employees, the employer is classified as a negative balance employer. In addition, the statutes provide for nine negative rate classes of employers who are required to pay an additional penalty of a maximum of 2.0 percent on top of 5.4 percent or a maximum of 7.4 percent against the first \$8,000 of wages or salaries paid by employers.

A third class of employers also exist in Kansas, which are ineligible employers. Ineligible employers are new employers who do not have 24 consecutive months of payroll experience, and therefore do not have an experience rating which leads to one of the 51 positive rate classes or one of the 9 negative rate classes. Once the 24 consecutive months has been achieved, the following year, they will qualify like any other employer. Currently, all new industries or businesses, except the construction industry, are charged 4 percent. The new construction businesses are charged 6 percent because of the history of the construction industry.

### **Tax Years 2009 and 2010**

From January 1, 2009 to December 31, 2009, Kansas paid out approximately \$766.8 million in regular program benefits. In addition, the State Extended Benefits Program was triggered in 2009 when the state's seasonally adjusted total unemployment rate reached 6.5 percent or more for three consecutive months. Typically these benefits are funded partially through the state's UI Trust Fund and partially from federal funds. Through a federal Recovery Act provision, state extended benefits are funded wholly through federal funds until January, 2012. For the time period January 1, 2010 to September 30, 2010, Kansas paid out approximately \$429.8 million.

As stated earlier, the Unemployment Insurance Trust Fund is funded by employers' contributions through the unemployment insurance tax and the interest earned from the money. Under state law, if the balance of the Trust Fund on July 31 of the current year meets the state's average high cost multiplier, employers can be granted a reduction in their contribution amount for the coming calendar year. Kansas' average high cost multiplier, prior to the recent recession, was 1.2, which means the balance of the Trust Fund was sufficient to provide benefits for 1.2 years at a rate equivalent to the rate during the worst three quarters of the past 20 years. These reduced contribution rates were in place during 2006, 2007, and 2008, saving employer's more than \$286 million during these years.

The Trust Fund balance, as of the week ending January 9, 2010, was \$65.2 million. At the beginning of 2009, the Trust Fund balance was \$566.5 million. The Department of Labor, at that time, January of 2010, believed it would exhaust the fund sometime in February. This did come to pass and Kansas did start borrowing funds from the U.S. Treasury in February of 2010. Kansas and all states draw money from the Treasury on a daily basis, only the amount of money (to the nearest \$1,000) needed to satisfy benefit payments for that day.

As of February 28, 2011, 36 states have borrowed over \$43.6 billion in funding from the U.S. Treasury and as of the first week of March, 2011, Kansas has received \$111.8 million in



Title XII advances from the Federal Unemployment Account (FUA). The amount of borrowing has been far less than what was anticipated back in January 2010.

## Interest Payments

The federal government normally charges interest on the loan amounts; however, for calendar year 2010, Congress waived interest for the year. The extension of the federal Unemployment Benefits does **not** waive the interest payments. In addition, the state's Unemployment Trust Fund contributions collected cannot be used to pay interest on the advances. Interest payments must be paid from an alternative source according to federal law.

Interest began being assessed on January 1, 2011. The Department of Labor will receive a "bill" from the Treasury by September 15, 2011. Payment for the entire amount of interest will be due by September 30, 2011. **Kansas currently has no mechanism in place to make this payment.** During January of 2010 the Department made projections based on the estimated borrowing and revised these projects in October. The projections are as follows:

| January 2010<br>Projected Interest Payments |               |
|---------------------------------------------|---------------|
| 2011                                        | \$ 42,006,035 |
| 2012                                        | \$ 55,670,701 |
| 2013                                        | \$ 55,194,690 |
| 2014                                        | \$ 48,153,936 |
| 2015                                        | \$ 38,849,931 |
| 2016                                        | \$ 23,823,034 |
| 2017                                        | \$ 12,822,463 |

| History of U.S. Gov. Interest Rate |                            |
|------------------------------------|----------------------------|
| Year                               | Interest Rate<br>(percent) |
| 2006                               | 4.63                       |
| 2007                               | 4.66                       |
| 2008                               | 4.81                       |
| 2009                               | 4.64                       |
| 2010                               | 4.36                       |
| Estimate 2011                      | 4.09                       |

| October 2010<br>Projected Interest Payments |                            |                               |
|---------------------------------------------|----------------------------|-------------------------------|
| Year                                        | Projected Interest<br>Rate | Projected Interest<br>Payment |
| 2011                                        | 4.09 percent               | \$6.2 Million                 |
| 2012                                        | 3.38 percent               | \$5.8 Million                 |
| 2013                                        | 2.93 percent               | \$3.2 Million                 |
| 2014                                        | 2.85 percent               | \$0.4 Million                 |

Potential consequences of interest not paid by the required deadline are as follows:

- Kansas employers may lose offset credit against FUTA of 5.4 percent, therefore paying up to 6.2 percent against first \$7,000 of wages paid per employee (currently paying 0.8 percent);
- Kansas may lose future borrowing privileges; and
- Kansas also would lose all grants for costs of administration until interest due has been paid.

## **Repayment of Title XII Loans**

In order to assure that a state will repay any loans it secured from the Federal Unemployment Account (FUA), federal law provides that when a state has an outstanding loan balance of January 1 for two consecutive years, the full amount of the loan must be repaid before November 10 of the second year, or the federal tax on employers in the state will be increased for that year and further increased for each subsequent year that the loan has not been repaid.

Specifically, the 5.4 percent credit is reduced in successive increments of a minimum of 0.3 percent for each year in which a loan or loans remain unpaid (reducing the overall credit from 5.4 to 5.1, to 4.8 to 4.5 percent, and so forth). Additional offset credit reductions may apply to a state beginning with the third and fifth taxable years if a loan balance is still outstanding and certain criteria are not met.

As of November 10, 2010, the states of Indiana, Michigan and South Carolina had outstanding UI federal loans and as a result, employers will see an increase in their FUTA taxes. Employers in these states will see the following increase to their FUTA tax:

- Michigan: Second year in default, employers will pay FUTA of 1.4 percent (an increase of 0.6 percent);
- Indiana: First year in default, employers will pay FUTA of 1.1 percent (an increase of 0.3 percent); and
- South Carolina: First year in default, employers will pay FUTA of 1.1 percent (an increase of 0.3 percent).

Note: In Kansas, currently employers pay 0.8 percent

Repayment of the principal on the loans can be paid from various funding sources such as reduced Federal Unemployment Tax Account (FUTA) credits; Unemployment Trust Fund (UTF) contributions, state general funds, surcharges, or additional solvency taxes.

As stated previously, the FUTA tax credit reduction begins after the second consecutive January of borrowing if the principal of the loan has not been repaid. Additional funds received as a result of the reduction are credited against the principal loan balance.

## **2010 Enactment of HB 2676**

The Legislature enacted 2010 HB 2676 which amended the Employment Security Law regarding contribution rates, penalties, and interest. The bill provided that, for calendar years 2010 and 2011, the charge for contributing employers in rate groups 1 through 32 will be that of the 2010 original tax rate computation table which lowered the amount of funding coming into the trust fund. Contributing employers in rate groups 33 through 51 are capped at a 5.4 percent contribution rate, which is the statutory maximum rate allowed for positive balance employers. In addition, employers have 90 days past the due date to file their contribution without being charged interest for the first three quarters of each of the two years.

## **Conclusions**

The following are the conclusions that could be reached from this memorandum about the future of the Kansas Unemployment Insurance Program:

- Kansas needs a statute change for repaying the interest due September 30, 2011. Any change in statute with regard to employers' rates need to occur by the first week of March, so the Department will have the time needed to implement the new schedules.
- The Legislature may wish to discuss options for the repayment of the principal on the loans.

If the Legislature chooses to allow the reduction in FUTA tax credits, please be advised that approximately 0.1 percent equals \$7.7 million (the minimum FUTA reduction is 0.3 percent or approximately \$23.0 million).



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# Introduction to the Kansas Unemployment Insurance Program: A Guide to Understanding the UI Trust Fund

Kansas Department of Labor  
March 2011

  
**KANSAS**  
DEPARTMENT OF LABOR

HOUSE COMMERCE & ECONOMIC  
DEVELOPMENT

DATE: 03/02/2011

ATTACHMENT: 2-1





## Trust Fund Borrowing

- The Kansas UI Trust Fund was fully depleted in February 2010 and advances were issued from the U.S. Treasury during February, March, and April
- On Jan. 19, 2011, the UI Trust Fund was again depleted and additional advances were issued
- As of Feb. 25<sup>th</sup>, the current outstanding loan balance is \$111.8 million
- As of Feb. 23<sup>rd</sup>, 36 states have received Trust Fund advances
- Funds are transferred into the Kansas Trust Fund daily and on an as needed basis
- Kansas draws down all available funds from it's own Trust Fund. If that amount is not sufficient to satisfy the UI benefit payments for that day, then the remaining amount is drawn from the Federal Unemployment Account.



## Interest on Trust Fund Loans

- Through ARRA, Trust Fund loans have been interest free through 2010. Interest began accruing on Jan. 1, 2011.
- Interest accrues daily on advances on a federal fiscal year basis
- Interest rate changes each calendar year at a rate equal to rate earned by the Unemployment Trust Fund from October through December
- Interest is generally due and payable no later than Sept. 30
- Interest cannot be paid directly or indirectly from funds in the state's unemployment fund – 3304(a)17 FUTA
- Reed Act funds cannot be used to pay interest as they reside in the fund



## Interest Calculation Example

- In 2010, Kansas was issued a total of \$88.2 million in Title XII loans.
- Under ARRA, interest on Trust Fund Loans was waived through CY 2010.
- The example below assumes that \$111.8 million was, and will remain, the loan balance from Jan. 1, 2011 through Sept. 30, 2011.

**Current Kansas Loan Balance = \$111,763,016**

*(remains outstanding on Sept. 30, 2011)*

2010 Interest (92 days) at 0.0% = \$0.00

2011 Interest (273 days) at 4.09% = \$3,418,937.69

**Total Interest Due 9/30/11 = \$3,418,937.69**

To calculate the daily interest rate take the annual percentage rate (APR) and divide by 365.



## FUTA Credit Reduction

- If a state retains a loan balance on January 1<sup>st</sup> for two consecutive years and has not fully repaid all loans on November 10<sup>th</sup> of the second year, contributory employers may be subject to reduction of their FUTA credit.
- The credit reductions generally increase those employers' effective FUTA rate by 0.3% each year the balance remains unpaid.
- Receipts credited against the loan balance.



# Schedule of FUTA Offset Credit Reductions

| Year After First Loan <sup>1</sup> | Basic Credit Reduction (%) | Additional Credit Reduction (%) | Total FUTA Rate (%) <sup>2</sup> |
|------------------------------------|----------------------------|---------------------------------|----------------------------------|
| 1                                  | 0.0                        | 0.0                             | 0.8                              |
| 2                                  | 0.3                        | 0.0                             | 1.1                              |
| 3                                  | 0.6                        | 2.7 Add-on                      | 1.4 or more                      |
| 4                                  | 0.9                        | 2.7 Add-on                      | 1.7 or more                      |
| 5                                  | 1.2                        | BCR Add-on <sup>3</sup>         | 2.0 or more                      |
| 6                                  | 1.5                        | BCR Add-on                      | 2.3 or more                      |
| *                                  | *                          | *                               | *                                |
| *                                  | *                          | *                               | *                                |
| *                                  | *                          | *                               | *                                |
| 19                                 | 5.4                        | BCR Add-on                      | 6.2                              |

<sup>1</sup> In terms of consecutive January 1st with an outstanding balance

<sup>2</sup> FUTA rate with full 5.4% credit is currently 0.8%, but is scheduled to drop to 0.6% in July 2011

<sup>3</sup> If BCR Add-on is waived, 2.7 Add-on applies



## Avoidance of FUTA Credit Reduction

- A state may avoid credit reduction by:
  - Paying an amount equal to the amount employers would pay through credit reductions;
  - Increasing solvency by an amount equal to amount of FUTA credits employer would lose;
  - Repaying any advances received during the one one-year period ending Nov. 9 that year; and
  - Not borrowing from Nov. 1 of the tax year through Jan. 31 the following year.



## FUTA Credit Reduction Cap

- Beginning with the 2nd year a state faces credit reduction, states may have the reduction capped if these criteria are met:
  - No action taken by state during previous FFY to reduce tax effort or decrease solvency;
  - State's avg. tax on total wage exceed 5 year benefit cost rate on total wages;
  - Loan balance not greater than balance 3 years earlier.
- A state who qualifies for a cap will have their credit reduction set at the greater of 0.6% or the prior year's level
- If the state qualifies for a cap, that year is not counted in the number of consecutive January 1sts



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# Introduction to the Kansas Unemployment Insurance Program: A Guide to Understanding Employer UI Tax Contributions

  
**KANSAS**  
DEPARTMENT OF LABOR

HOUSE COMMERCE & ECONOMIC  
DEVELOPMENT

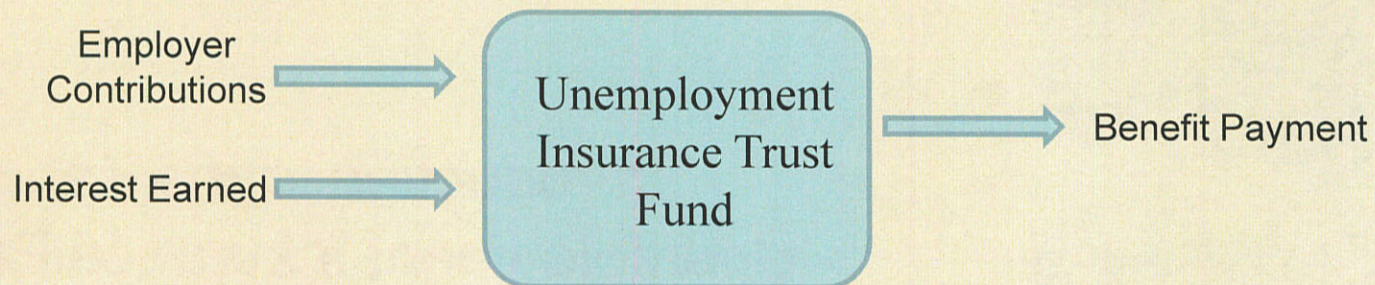
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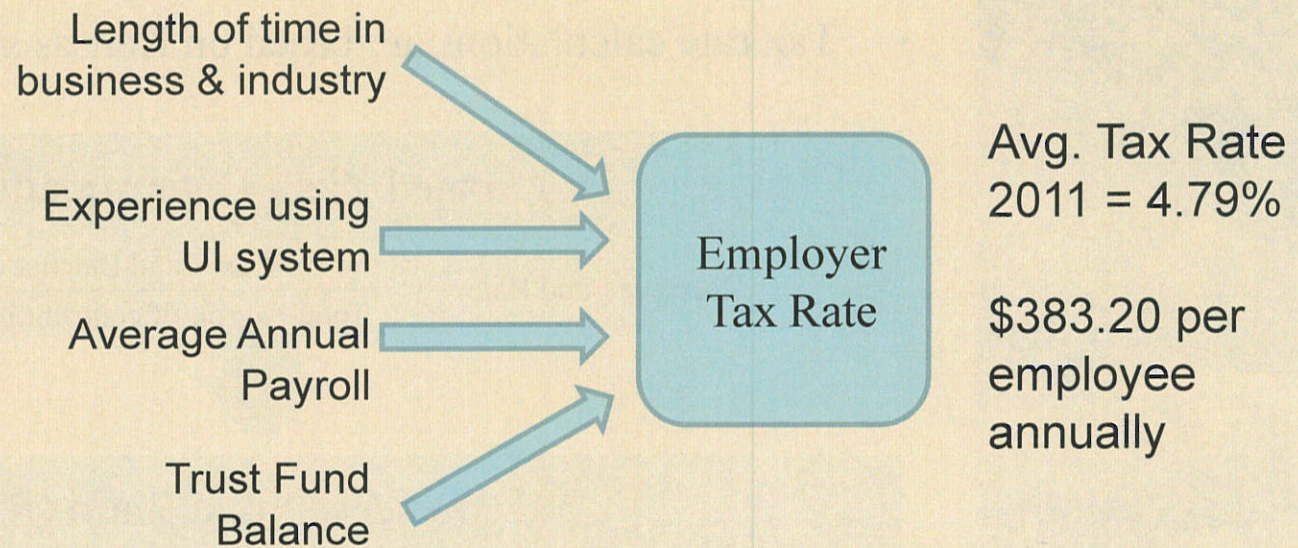
## Unemployment Insurance Trust Fund



- UI Trust Fund monies can only be used to pay benefits
- Trust Fund Balance as of 2/25/2011 = \$336,146
- Trust Fund Loans as of 2/25/2011 = \$111.8 million



# Employer Tax Rates



- Reduced tax rates or Standard Tax rates – 2007 SB 83
  - In effect in 2007, 2008 & 2009
- Reduced Tax Rates not triggered for 2010 & 2011
- House Bill 2676 – Reduced Rate
  - \$43 Million relief CY 2010
  - \$75.8 Million relief CY 2011



# Calculating the UI Tax Rates

- Tax rate calculations are based on Kansas statute KS 44-710a

## Planned Yield Determination

$$\text{Reserve Fund Ratio} = \frac{\text{Trust Fund Balance as of July 31}^{\text{st}}}{\text{Total Payroll of contributing employers (SFY)}}$$

## 2011 Reserve Fund Ratio (RFR)

$$2011 \text{ RFR} = 0.076 = \frac{\$29,218,341}{\$38,269,405,914}$$

## Determine Tax Rate on total payroll (Schedule III in statue)

Tax Rate on Total Wages

Tax Rate on Taxable Wages



# Schedule III - Fund Control Ratio to Total Wages

44-710a

Employment Security Law

44-710a

## SCHEDULE III - Fund Control Ratio to Total Wages

| Column A<br>Reserve Fund Ratio | Column B<br>Planned Yield |
|--------------------------------|---------------------------|
| 4.500 and over.....            | 0.00                      |
| 4.475 but less than 4.500..... | 0.01                      |
| 4.450 but less than 4.475..... | 0.02                      |
| 4.425 but less than 4.450..... | 0.03                      |
| 4.400 but less than 4.425..... | 0.04                      |
| 4.375 but less than 4.400..... | 0.05                      |
| 4.350 but less than 4.375..... | 0.06                      |
| 4.325 but less than 4.350..... | 0.07                      |
| 4.300 but less than 4.325..... | 0.08                      |
| 4.275 but less than 4.300..... | 0.09                      |
| 4.250 but less than 4.275..... | 0.10                      |
| 4.225 but less than 4.250..... | 0.11                      |
| 4.200 but less than 4.225..... | 0.12                      |
| 4.175 but less than 4.200..... | 0.13                      |
| 4.150 but less than 4.175..... | 0.14                      |
| 4.125 but less than 4.150..... | 0.15                      |
| 4.100 but less than 4.125..... | 0.16                      |
| 4.075 but less than 4.100..... | 0.17                      |
| 4.050 but less than 4.075..... | 0.18                      |
| 4.025 but less than 4.050..... | 0.19                      |
| 4.000 but less than 4.025..... | 0.20                      |
| 3.975 but less than 4.000..... | 0.21                      |
| 3.950 but less than 3.975..... | 0.22                      |
| 3.925 but less than 3.950..... | 0.23                      |
| 3.900 but less than 3.925..... | 0.24                      |
| 3.875 but less than 3.900..... | 0.25                      |
| 3.850 but less than 3.875..... | 0.26                      |
| 3.825 but less than 3.850..... | 0.27                      |
| 3.800 but less than 3.825..... | 0.28                      |
| 3.775 but less than 3.800..... | 0.29                      |
| 3.750 but less than 3.775..... | 0.30                      |
| 3.725 but less than 3.750..... | 0.31                      |
| 3.700 but less than 3.725..... | 0.32                      |
| 3.675 but less than 3.700..... | 0.33                      |
| 3.650 but less than 3.675..... | 0.34                      |
| 3.625 but less than 3.650..... | 0.35                      |
| 3.600 but less than 3.625..... | 0.36                      |
| 3.575 but less than 3.600..... | 0.37                      |
| 3.550 but less than 3.575..... | 0.38                      |
| 3.525 but less than 3.550..... | 0.39                      |
| 3.500 but less than 3.525..... | 0.40                      |
| 3.475 but less than 3.500..... | 0.41                      |
| 3.450 but less than 3.475..... | 0.42                      |
| 3.425 but less than 3.450..... | 0.43                      |
| 3.400 but less than 3.425..... | 0.44                      |
| 3.375 but less than 3.400..... | 0.45                      |
| 3.350 but less than 3.375..... | 0.46                      |
| 3.325 but less than 3.350..... | 0.47                      |
| 3.300 but less than 3.325..... | 0.48                      |
| 3.275 but less than 3.300..... | 0.49                      |
| 3.250 but less than 3.275..... | 0.50                      |
| 3.225 but less than 3.250..... | 0.51                      |
| 3.200 but less than 3.225..... | 0.52                      |
| 3.175 but less than 3.200..... | 0.53                      |

|                                |      |
|--------------------------------|------|
| 2.300 but less than 2.350..... | 0.54 |
| 2.250 but less than 2.300..... | 0.55 |
| 2.200 but less than 2.250..... | 0.56 |
| 2.150 but less than 2.200..... | 0.57 |
| 2.100 but less than 2.150..... | 0.58 |
| 2.050 but less than 2.100..... | 0.59 |
| 2.000 but less than 2.050..... | 0.60 |
| 1.975 but less than 2.000..... | 0.61 |
| 1.950 but less than 1.975..... | 0.62 |
| 1.925 but less than 1.950..... | 0.63 |
| 1.900 but less than 1.925..... | 0.64 |
| 1.875 but less than 1.900..... | 0.65 |
| 1.850 but less than 1.875..... | 0.66 |
| 1.825 but less than 1.850..... | 0.67 |
| 1.800 but less than 1.825..... | 0.68 |
| 1.775 but less than 1.800..... | 0.69 |
| 1.750 but less than 1.775..... | 0.70 |
| 1.725 but less than 1.750..... | 0.71 |
| 1.700 but less than 1.725..... | 0.72 |
| 1.675 but less than 1.700..... | 0.73 |
| 1.650 but less than 1.675..... | 0.74 |
| 1.625 but less than 1.650..... | 0.75 |
| 1.600 but less than 1.625..... | 0.76 |
| 1.575 but less than 1.600..... | 0.77 |
| 1.550 but less than 1.575..... | 0.78 |
| 1.525 but less than 1.550..... | 0.79 |
| 1.500 but less than 1.525..... | 0.80 |
| 1.475 but less than 1.500..... | 0.81 |
| 1.450 but less than 1.475..... | 0.82 |
| 1.425 but less than 1.450..... | 0.83 |
| 1.400 but less than 1.425..... | 0.84 |
| 1.375 but less than 1.400..... | 0.85 |
| 1.350 but less than 1.375..... | 0.86 |
| 1.325 but less than 1.350..... | 0.87 |
| 1.300 but less than 1.325..... | 0.88 |
| 1.275 but less than 1.300..... | 0.89 |
| 1.250 but less than 1.275..... | 0.90 |
| 1.225 but less than 1.250..... | 0.91 |
| 1.200 but less than 1.225..... | 0.92 |
| 1.175 but less than 1.200..... | 0.93 |
| 1.150 but less than 1.175..... | 0.94 |
| 1.125 but less than 1.150..... | 0.95 |
| 1.100 but less than 1.125..... | 0.96 |
| 1.075 but less than 1.100..... | 0.97 |
| 1.050 but less than 1.075..... | 0.98 |
| 1.025 but less than 1.050..... | 0.99 |
| 1.000 but less than 1.025..... | 1.00 |
| 0.900 but less than 1.000..... | 1.01 |
| 0.800 but less than 0.900..... | 1.02 |
| 0.700 but less than 0.800..... | 1.03 |
| 0.600 but less than 0.700..... | 1.04 |
| 0.500 but less than 0.600..... | 1.05 |
| 0.400 but less than 0.500..... | 1.06 |
| 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 |

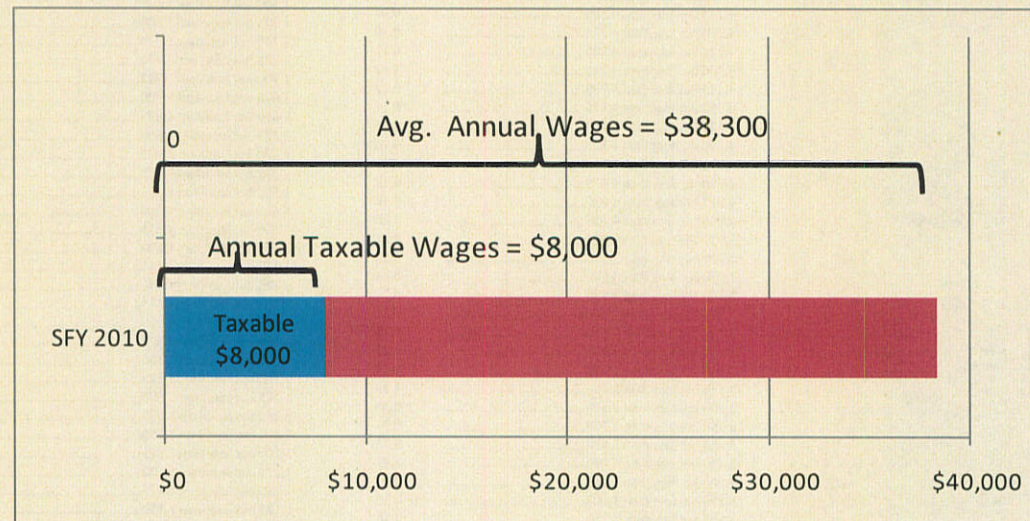
1.10% of total  
wages will provide  
the required yield

2011 RFR = .076



## Tax Rate on Total & Taxable Wages

- Schedule III provides the tax rate on total wages needed to generate the required yield



Average Tax Rate for 2011:

Total Wages  
1.10%

Taxable Wages  
4.79%



## Planned Yield

- Taxable Wages for Fiscal Year 2010 were \$8,787,446,530
- Planned Yield is determined by multiplying the taxable wages by the rate

Reduced HB 2676 Planned Yield for 2011:  
\$345,123,921

- The calculated Planned Yield for 2011 was \$420.9 million (\$8.8 billion x 4.79%), but HB 2676 rates reduced the Planned Yield to \$345.1 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 Employers

New employers who do not have 24 consecutive months of chargeability are not eligible for experience rating

### Negative Balance Employers

Employers who have had more money charged against their account for benefits than they have paid in contributions

### Positive Balance Employers

Employers who have paid in more money in contributions than the amount of benefits charged against their account



## Types of Employers & Rates Under Current Law

### Ineligible Employers

Ineligible employers have set rates:

- 6.0% - Construction industry
- 4.0% - All other industries

### 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%

### Positive Balance Employers

- Rate is determined based on their UI experience

- Arrayed across 51 rate groups
- Maximum rate is 5.4%



# Employer Tax Amount Determination

Planned  
Yield  
Identified

- Based on statute 44-710a (as mentioned in earlier slides)
- CY 2011 = **\$420,900,000**

Estimate  
Amount from  
Ineligible  
Employers

- This amount is deducted from planned yield
- CY 2011 = **\$14,287,232**

Estimated  
Amount from  
Negative  
Balance  
Employers

- This amount is deducted from planned yield
- CY 2011 = **\$75,733,577**

Amount left  
to be  
collected  
from Positive  
Balance  
Employers

- Amount to collect from 51 rate groups
- $\$420,900,000 - \$14,287,232 - \$75,733,577 = \mathbf{\$330,879,191}$

Positive  
Balance  
Employer HI  
2676 Yield

- HB 2676 reduced positive balance employer yield by \$75,776,079
- $\$330,879,191 - \$75,776,079 = \mathbf{\$255,103,112}$

Final CY  
2011 Planned  
Yield

- **Final CY 2011 Planned Yield** =  $\$14,287,232 + \$75,733,577 + \$255,103,112 = \mathbf{\$345,123,921}$



# 2011 HB 2676 Negative & Ineligible Employer Tax Rates

| Ineligible Employers  |                   |                        |                 |
|-----------------------|-------------------|------------------------|-----------------|
| Employer Group        | Contribution Rate | SFY 2010 Taxable Wages | Estimated Yield |
| Ineligible            |                   |                        |                 |
| Construction Industry | 6.0%              | \$30,153,115           | \$1,809,187     |
| All Other Industries  | 4.0%              | \$311,951,116          | \$12,478,045    |
| Total                 |                   | \$342,104,231          | \$14,287,232    |

NOTE: For RY 2011, there were 10,121 active ineligible accounts.

| Negative Balance Employers |                   |                        |                 |
|----------------------------|-------------------|------------------------|-----------------|
| Employer Group             | Contribution Rate | SFY 2010 Taxable Wages | Estimated Yield |
| Negative Balance           | 5.6% - 7.4%       | \$1,402,473,643        | \$75,733,577    |

NOTE: For RY 2011, there were 7,705 active negative accounts.



# 2011 HB 2676 Positive Employer Tax Rates

| Rate Group | Experience Factor | SFY 2010 Taxable Wages | Contribution Rate | Estimated Yield |
|------------|-------------------|------------------------|-------------------|-----------------|
| 1          | 0.025             | \$139,180,195          | 0.11              | \$153,098       |
| 2          | 0.04              | \$134,485,635          | 0.17              | \$228,626       |
| 3          | 0.08              | \$136,917,608          | 0.34              | \$465,520       |
| 4          | 0.12              | \$136,955,611          | 0.51              | \$698,474       |
| 5          | 0.16              | \$136,718,941          | 0.68              | \$929,689       |
| 6          | 0.20              | \$136,940,739          | 0.85              | \$1,163,996     |
| 7          | 0.24              | \$137,315,024          | 1.01              | \$1,386,882     |
| 8          | 0.28              | \$136,712,213          | 1.18              | \$1,613,204     |
| 9          | 0.32              | \$136,576,220          | 1.35              | \$1,843,779     |
| 10         | 0.36              | \$136,778,184          | 1.52              | \$2,079,028     |
| 11         | 0.40              | \$137,606,333          | 1.69              | \$2,325,547     |
| 12         | 0.44              | \$177,569,575          | 1.86              | \$3,302,794     |
| 13         | 0.48              | \$95,804,282           | 2.03              | \$1,944,827     |
| 14         | 0.52              | \$137,248,132          | 2.20              | \$3,019,459     |
| 15         | 0.56              | \$137,634,500          | 2.37              | \$3,261,938     |
| 16         | 0.60              | \$135,006,857          | 2.54              | \$3,429,174     |
| 17         | 0.64              | \$161,451,537          | 2.71              | \$4,375,337     |
| 18         | 0.68              | \$112,864,682          | 2.88              | \$3,250,503     |
| 19         | 0.72              | \$136,250,179          | 3.04              | \$4,142,005     |
| 20         | 0.76              | \$141,818,925          | 3.21              | \$4,552,387     |
| 21         | 0.80              | \$132,447,430          | 3.38              | \$4,476,723     |
| 22         | 0.84              | \$244,403,721          | 3.55              | \$8,676,332     |
| 23         | 0.88              | \$29,839,630           | 3.72              | \$1,110,034     |
| 24         | 0.92              | \$135,487,922          | 3.89              | \$5,270,480     |
| 25         | 0.96              | \$136,907,800          | 4.06              | \$5,558,457     |
| 26         | 1.00              | \$136,617,985          | 4.23              | \$5,778,941     |

| Rate Group | Experience Factor | SFY 2010 Taxable Wages | Contribution Rate | Estimated Yield |
|------------|-------------------|------------------------|-------------------|-----------------|
| 27         | 1.04              | \$139,581,768          | 4.40              | \$6,141,598     |
| 28         | 1.08              | \$134,361,628          | 4.57              | \$6,140,326     |
| 29         | 1.12              | \$136,896,157          | 4.74              | \$6,488,878     |
| 30         | 1.16              | \$137,654,648          | 4.90              | \$6,745,078     |
| 31         | 1.20              | \$137,194,338          | 5.07              | \$6,955,753     |
| 32         | 1.24              | \$152,664,874          | 5.24              | \$7,999,639     |
| 33         | 1.28              | \$119,448,384          | 5.40              | \$6,450,213     |
| 34         | 1.32              | \$136,920,146          | 5.40              | \$7,393,688     |
| 35         | 1.36              | \$137,109,868          | 5.40              | \$7,403,933     |
| 36         | 1.40              | \$136,469,232          | 5.40              | \$7,369,339     |
| 37         | 1.44              | \$136,781,227          | 5.40              | \$7,386,186     |
| 38         | 1.48              | \$146,256,664          | 5.40              | \$7,897,860     |
| 39         | 1.52              | \$131,400,556          | 5.40              | \$7,095,630     |
| 40         | 1.56              | \$133,019,572          | 5.40              | \$7,183,057     |
| 41         | 1.60              | \$137,225,784          | 5.40              | \$7,410,192     |
| 42         | 1.64              | \$137,256,631          | 5.40              | \$7,411,858     |
| 43         | 1.68              | \$136,365,479          | 5.40              | \$7,363,736     |
| 44         | 1.72              | \$138,360,393          | 5.40              | \$7,471,461     |
| 45         | 1.76              | \$137,863,810          | 5.40              | \$7,444,646     |
| 46         | 1.80              | \$137,935,818          | 5.40              | \$7,448,534     |
| 47         | 1.84              | \$132,626,277          | 5.40              | \$7,161,819     |
| 48         | 1.88              | \$140,213,582          | 5.40              | \$7,571,533     |
| 49         | 1.92              | \$139,521,289          | 5.40              | \$7,534,150     |
| 50         | 1.96              | \$130,993,216          | 5.40              | \$7,073,634     |
| 51         | 2.00              | \$139,317,375          | 5.40              | \$7,523,138     |
| Total      |                   | \$6,980,978,576        |                   | \$255,103,112   |

NOTE: For RY 2011, there were 50,158 active positive balance accounts.



## 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)



## Tax Relief - 2010 House Bill 2676

- For calendar year 2010 and 2011, the charge for contributing employers in rate groups 1 through 32 will be that of the 2010 original tax rate computation table which lowered the amount of funding coming into the trust fund.
- Contributing employers in rate groups 33 through 51 are capped at a 5.4 percent contribution rate, which is the statutory maximum rate allowed for positive balance employers.
- Employers have 90 days past the due date to file their contribution without being charged interest for the first three quarters of each of the two years.



## Yearly Schedule

---

- Tax rate notices sent in mid-December
- Review and redetermination can be requested within 15 days
- Employers file Quarterly Wage Reports (QWR) and pay tax contributions at the end of each quarter
  - 1<sup>st</sup> Quarter due April 30<sup>th</sup>
  - 2<sup>nd</sup> Quarter due July 31<sup>st</sup>
  - 3<sup>rd</sup> Quarter due October 31<sup>st</sup>
  - 4<sup>th</sup> Quarter due January 31<sup>st</sup>
- HB 2676 provides a 90-day interest free grace period for contribution payments for the 1<sup>st</sup>, 2<sup>nd</sup>, and 3<sup>rd</sup> quarters of 2010 and 2011.



# Sample Experience Rating Notice



DEPARTMENT OF LABOR  
401 SW Topeka Boulevard  
Topeka, Kansas 66603-3182

## 2011 EXPERIENCE RATING NOTICE

DATE MAILED: 12-13-2010  
ACCOUNT NO: [REDACTED]

2011 TAXABLE  
WAGE BASE: 8,000.00

|                     | <u>CONTRIBUTIONS PAID</u> | <u>BENEFITS CHARGED</u>                       | <u>TAXABLE PAYROLL</u>                 |            |
|---------------------|---------------------------|-----------------------------------------------|----------------------------------------|------------|
| PRIOR YEARS         |                           |                                               |                                        |            |
| THRU JUNE 30, 2009  | 6,835.78                  | 309.74                                        | 2007                                   | 40,000.00  |
| FOR FISCAL YEAR     |                           |                                               | 2008                                   | 63,040.00  |
| ENDED JUNE 30, 2010 | 2,416.03                  | .00                                           | 2009                                   | 57,666.66  |
| TOTALS              | 9,251.81                  | 309.74                                        | TOTAL                                  | 160,706.66 |
| ACCOUNT BALANCE IS: | 8,942.07                  | (Contributions Paid Less<br>Benefits Charged) | Average Taxable<br>Payrolls Shown is → | 53,568.88  |

### RATE COMPUTATION

|                    |   |                                   |   |               |               |                               |
|--------------------|---|-----------------------------------|---|---------------|---------------|-------------------------------|
| ACCOUNT<br>BALANCE | / | AVERAGE ANNUAL<br>TAXABLE PAYROLL | = | RESERVE RATIO | RATE<br>GROUP | YOUR CONTRIBUTION<br>RATE FOR |
| 8,942.             |   | 53,569.                           |   | 16.693        | 21            | 2011 is 3.38%                 |

If you have any questions regarding your 2011 Contribution Rate Computation shown above or the Voluntary Contribution Computation shown below, contact: [REDACTED]



[www.dol.ks.gov](http://www.dol.ks.gov)



**KANSAS**  
DEPARTMENT OF LABOR

## Introduction to the Kansas Unemployment Insurance Program: A Guide to Understanding UI Benefits

HOUSE COMMERCE & ECONOMIC  
DEVELOPMENT

DATE: 03/02/2011

ATTACHMENT: 2-25





# Available UI Benefits

## What unemployment benefits are available?

Up to 86 weeks of unemployment benefits available



| 26 weeks                                                                                                                                                                                                                                                                                                                                                                                            | 20 weeks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 14 weeks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 13 weeks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 13 weeks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regular Unemployment Benefits                                                                                                                                                                                                                                                                                                                                                                       | Emergency Unemployment Compensation 2008 (EUC 08) Benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Tier II EUC Benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Tier III EUC Benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | State Extended Benefits (EB)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <ul style="list-style-type: none"> <li>★ Available for up to 26 weeks (length depends on employment history and earnings)</li> <li>★ To receive unemployment benefits, you must be:                             <ul style="list-style-type: none"> <li>• Able and available to work</li> <li>• Actively seeking employment</li> <li>• Unemployed due to no fault of your own</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>★ Program began July 6, 2008</li> <li>★ Up to 20 weeks of extended unemployment benefits are available under the Emergency Unemployment Compensation (EUC08) Act.</li> <li>★ Workers potentially eligible for extended benefits:                             <ul style="list-style-type: none"> <li>• Have filed a valid UI claim and exhausted all regular UI benefits</li> <li>• Have no rights to regular compensation</li> <li>• Have had 20 weeks of full-time insured employment or the equivalent in insured wages</li> <li>• Are fully or partially unemployed on or after July 6, 2008 and meet all eligibility criteria such as being ready, willing and able to work</li> </ul> </li> <li>★ If you were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program.</li> </ul> | <ul style="list-style-type: none"> <li>★ Effective June 7, 2009</li> <li>★ Originally provided up to 13 weeks of additional benefits.</li> <li>★ Legislation passed on Nov. 6, 2008, extended the total weeks available from 13 to 14. One-week extension effective week ending Nov. 14, 2009.</li> <li>★ Nov. 6 legislation removed a requirement that the state's average seasonally adjusted unemployment rate be 6.0 percent or higher for three consecutive months in order to trigger on to the program.</li> <li>★ If you received EUC Tier I benefits, you are likely to be eligible for Tier II benefits.                             <ul style="list-style-type: none"> <li>• If eligible, benefits will roll over from Tier I to Tier II and claimants will not need to fill out an additional application</li> </ul> </li> <li>★ If you were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program.</li> </ul> | <ul style="list-style-type: none"> <li>★ Effective Nov. 8, 2009</li> <li>★ Up to an additional 13 weeks of benefits are available under Tier III EUC.</li> <li>★ To be eligible for Tier III benefits, individuals must meet the following criteria:                             <ul style="list-style-type: none"> <li>• Exhausted regular state unemployment insurance benefits and Tier I and II EUC benefits</li> <li>• Not eligible for a new state unemployment insurance claim in any state or in Canada</li> </ul> </li> <li>★ If you were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program.</li> </ul> | <ul style="list-style-type: none"> <li>★ The first week a Kansas claimant was eligible for state extended benefits was the week ending August 8, 2009.</li> <li>★ Up to 13 weeks of additional benefits are available through the State Extended Benefits program.</li> <li>★ The program kicks in when the state's seasonally adjusted unemployment rate is 6.5% or more for three consecutive months. The program remains in effect until the state's seasonally adjusted unemployment rate drops below 6.5%.</li> <li>★ To be eligible you must meet the following criteria:                             <ul style="list-style-type: none"> <li>• Exhausted regular state unemployment insurance benefits, EUC Tier I, II and III benefits</li> <li>• Not eligible for a new state unemployment insurance claim in any state or in Canada</li> </ul> </li> <li>★ If you haven't exhausted all EUC benefits and were moved to the EB program while waiting for Congress to extend the deadline to apply for EUC, you must exhaust those EB benefits before moving back to the EUC program.</li> </ul> |
| Funded 100% with State UI Trust Fund                                                                                                                                                                                                                                                                                                                                                                | Funded 100% with Federal Funds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Funded 100% with Federal Funds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Funded 100% with Federal Funds                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Funded 100% with Federal Funds through the week ending Jan. 7, 2012.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

Last Updated 12-17-10



## Minimum & Maximum Benefit Amounts

Weekly Benefit Amount (WBA)  
Minimum, Maximum and Average  
SFY 2002 - 2011

| <u>Fiscal<br/>Year</u> | <u>Minimum<br/>WBA</u> | <u>Maximum<br/>WBA</u> | <u>Average<br/>WBA</u> |
|------------------------|------------------------|------------------------|------------------------|
| 2002                   | \$83.00                | \$333.00               | \$269.66               |
| 2003                   | 86.00                  | 345.00                 | 272.63                 |
| 2004                   | 87.00                  | 351.00                 | 269.66                 |
| 2005                   | 89.00                  | 359.00                 | 268.78                 |
| 2006                   | 93.00                  | 373.00                 | 278.74                 |
| 2007                   | 96.00                  | 386.00                 | 290.62                 |
| 2008                   | 101.00                 | 407.00                 | 305.28                 |
| 2009                   | 105.00                 | 423.00                 | 337.01                 |
| 2010                   | 109.00                 | 436.00                 | 336.16                 |
| 2011                   | 108.00                 | 435.00                 | N/A                    |

N/A Not Available



## Who Qualifies for Benefits?

- The individual has made a claim for benefits.
- The individual has registered for work.
- The individual is able to work, available for work, and is actively seeking work.
- The individual has been unemployed and has claimed a waiting period of one week which occurs within the benefit year.
- The individual has received wages from insured employment in two or more quarters of the base period, and has total base period wages equaling at least 30 times the weekly benefit amount earned from an employer in Kansas.
- The individual's employment was for services not specifically excluded by the act.
- The individual who is not disqualified in accordance with provisions of the law.



## Disqualification for Unemployment Insurance Benefits

- A claimant is disqualified beginning with the day after the separation until re-employed and has had insured earnings of at least three times the determined weekly benefit amount if the claimant:

- Voluntarily left work without good cause attributable to the work or the employer. There are 12 specific exceptions whereby benefits may be payable. A claims representative will provide further information.

- Was discharged for misconduct connected with the work. There are specific circumstances that are not disqualifying. A claims representative will provide further information.

- Failed, without good cause, to apply for or to accept suitable work when offered by the employment office or an employer.

- Failed, after a temporary job assignment, to affirmatively request an additional assignment on the next succeeding workday, if required by the employment agreement, after completion of a given work assignment.

- A claimant discharged for gross misconduct connected with the work is disqualified until reemployed and has had insured earnings of at least eight times the determined weekly benefit amount. In addition, all wage credits attributable to the employment from which the individual was discharged for gross misconduct are canceled.

- A one-year disqualification is applied for making false statements or for withholding information to obtain more benefits than due.



## Disqualification for Unemployment Insurance Benefits

- Benefits are denied for each week in which the claimant is:
  - Unemployed because of a labor dispute in which the individual is interested, participating, or financing.
  - Claiming or receiving benefits under another state or federal law.
  - Receiving compensation for temporary total or permanent total disability under the worker's compensation law of a state or the United States.
  - Not able to perform the duties of the individual's customary occupation or the duties of other occupations for which the individual is reasonably fitted by training or experience.
  - Not pursuing a full course of action most reasonably calculated to result in reemployment.
  - Considered to be in need of reemployment services through a profiling system but fails to participate in such reemployment services or to show justifiable cause for failure to participate.



## Disqualification for Unemployment Insurance Benefits

- Other disqualifications:

- Employees of educational institutions are disqualified from benefits between terms or academic years if they had a contract or reasonable assurance for their work in a recently completed academic year or term, and have a contract or reasonable assurance of employment in the same or similar position for the next academic year or term.

- A school bus or other motor vehicle driver employed by a private contractor to transport pupils, students, and school personnel to or from school-related functions or activities for an educational institution are disqualified between academic years or terms if the individual has a contract or assurance of employment for the next academic year. (Services as a bus or other motor vehicle driver for a private contractor to transport persons to or from nonschool related functions or activities are not disqualified.)

- Employees of governmental entities and nonprofit organizations described in section 501(c)(3) of the Federal Internal Revenue Code of 1986 that provide any services to or on behalf of an educational institution are disqualified for benefits between academic years or terms if the individual has a contract or assurance of employment for the next academic year or term.

- An individual is disqualified when registered at and attending an established school, training facility, or any other educational institution, or is on vacation during or between two successive academic years or terms unless engaged in full-time employment concurrent while attending school or is attending approved training.



## Disqualification for Unemployment Insurance Benefits

- Other disqualifications:

- Benefits based on wage credits earned as a professional athlete are not available between seasons to individuals who have been employed in the past sports season as a professional athlete and have a reasonable assurance of being again employed as a professional athlete in the following sports season.
- Wages earned by aliens while working illegally in the United States are not available to establish unemployment insurance benefits.
- The weekly benefit amount is reduced if the claimant is receiving a governmental or other pension, retirement or retired pay, annuity, or other similar periodic payment under a plan maintained by a base period employer.
- Back pay is considered as wages and is allocated to the week(s) and reported as specified in the order or agreement. If not specified, then the back pay is allocated and reported to the week(s) that wages would have been paid.
- Certain remuneration is considered wages to be reported by the claimant which is deductible from the claimant's weekly benefit amount.



# The Claim Filing Process

Current Law - Example of Initial Claim and Payment Schedule when Waiting Week Is Paid

January 2011

| Sunday                                            | Monday                                            | Tuesday                                                                                       | Wednesday | Thursday | Friday                           | Saturday |
|---------------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------|----------|----------------------------------|----------|
|                                                   |                                                   |                                                                                               |           |          | Individual Laid Off<br>from Work | 1        |
| 2<br><br>1 <sup>st</sup> Week of<br>Unemployment  | 3<br>File Initial Claim<br>(Effective 1/2/11)     | 4                                                                                             | 5         | 6        | 7                                | 8        |
| WAITING WEEK – MAY BE RETROACTIVELY PAID          |                                                   |                                                                                               |           |          |                                  |          |
| 9<br><br>2 <sup>nd</sup> Week of<br>Unemployment  | 10<br>File for Waiting<br>Week Ending<br>01/08/11 | 11                                                                                            | 12        | 13       | 14                               | 15       |
| 16<br><br>3 <sup>rd</sup> Week of<br>Unemployment | 17<br>File for Week Ending<br>01/15/11            | 18<br>Payment for 2 <sup>nd</sup><br>Week (01/15/11)<br>Issued                                | 19        | 20       | 21                               | 22       |
| 23<br><br>4 <sup>th</sup> Week of<br>Unemployment | 24<br>File for Week Ending<br>01/22/11            | 25<br>Payments for 1 <sup>st</sup> & 3 <sup>rd</sup><br>Weeks (01/08/11 &<br>01/22/11) Issued | 26        | 27       | 28                               | 29       |
| 30<br><br>5 <sup>th</sup> Week of<br>Unemployment | 31<br>File for Week Ending<br>01/29/11            | Payment for 4 <sup>th</sup><br>Week (01/29/11)<br>Issued                                      |           |          |                                  |          |

NOTE: The waiting week may be retroactively paid if an individual has filed claims for three consecutive weeks and no eligibility issues have occurred.



# The Process of Benefit Approval

Claimants who are permanently severed from employment must look for work each week to maintain eligibility. Those who are temporarily laid off or are members of a placement union do not need to seek work but must be available to accept a recall to work.

Automatic Registration with KansasWorks.com

Initial claim filed

1 day

Notice to last and base period employers

10 days  
Plus 3 mail days

This information is used to determine the claimant's eligibility for UI benefits and whether the employer's account will be charged.

Employer returns separation/eligibility information

Adjudication of claim

Claimant determined to be eligible

Claimant determined to be ineligible

Determination notice sent to claimant and employer

The claimant or employer has 16 days to file an appeal of the determination.

Appeal may be filed by claimant or employer – hearing scheduled with appeals judge

Appeal Determination in favor of claimant

Appeal Determination in favor of employer

Appeal may be filed by claimant or employer to Employment Security Board of Review

Determination in favor of claimant

Determination in favor of employer

Appeal may be filed by claimant or employer to the District Court

Final Determination – eligible for benefits

Final Determination – ineligible for benefits

Re-employment Services

The claimant or the employer has 16 days to file an appeal of the Appeal Judge's determination.

Permanently unemployed workers are assessed to determine the likelihood they will exhaust their UI benefits. Those determined to have a greater than 51% chance of exhausting are placed into a pool from which they are scheduled to receive re-employment services from their local workforce center.



## Statistics on Appeals

### Lower Level Appeals 2010

|                               | Number       | Percent      |
|-------------------------------|--------------|--------------|
| Decided in Favor of Claimant  | 8,081        | 47.3%        |
| Decided in Favor of Employer  | <u>9,011</u> | <u>52.7%</u> |
| Total Number of Appeals Filed | 17,092       | 100.0%       |

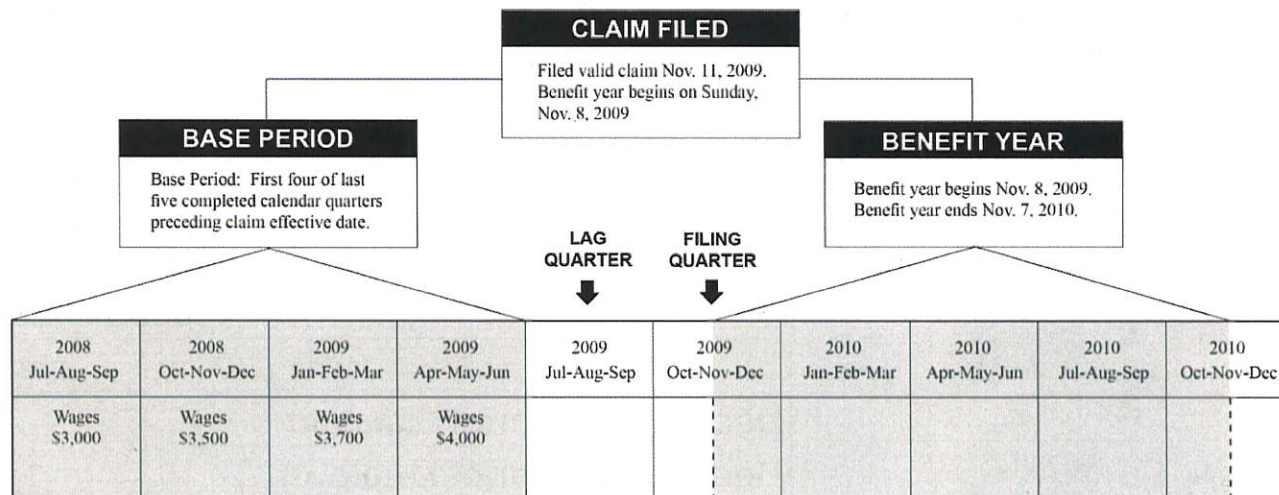
### Higher Level Appeals 2010

|                               | Number       | Percent      |
|-------------------------------|--------------|--------------|
| Decided in Favor of Claimant  | 721          | 29.5%        |
| Decided in Favor of Employer  | <u>1,723</u> | <u>70.5%</u> |
| Total Number of Appeals Filed | 2,444        | 100.0%       |



# Determining the Benefit Amount

## Determining the Benefit Amount



### Weekly Benefit Amount (WBA)

The claimant had the highest earnings (\$4,000) in the April-May-June quarter of 2009.....\$4,000 x 4.25% = **\$170** (weekly benefit amount)

### Qualifying Earnings

To qualify for benefits, the claimant must have been paid wages from insured employment

in at least two quarters with total wages of at least thirty times the weekly benefit amount.....30 x \$170 = **\$5,100** (qualifying earnings)  
(In this example, the claimant qualifies.)

### Total Benefit Amount

\$3,000 + \$3,500 + \$3,700 + \$4,000 = \$14,200 = total base period earnings

1/3 of \$14,200 = \$4,733

26 x \$170 (weekly benefit amount) = \$4,420

\$4,420 is the Total benefit amount (since \$4,420 is less than \$4,733)..... = **\$4,420** (total benefit amount)

### Alternate Base Period

If an individual has insufficient wages to establish entitlement using a traditional base period, entitlement will be calculated using an alternate base period that consists of the last four completed calendar quarters prior to the claim effective date.



## Average Duration of Benefits

Weeks of Duration  
CY 2000 - 2009

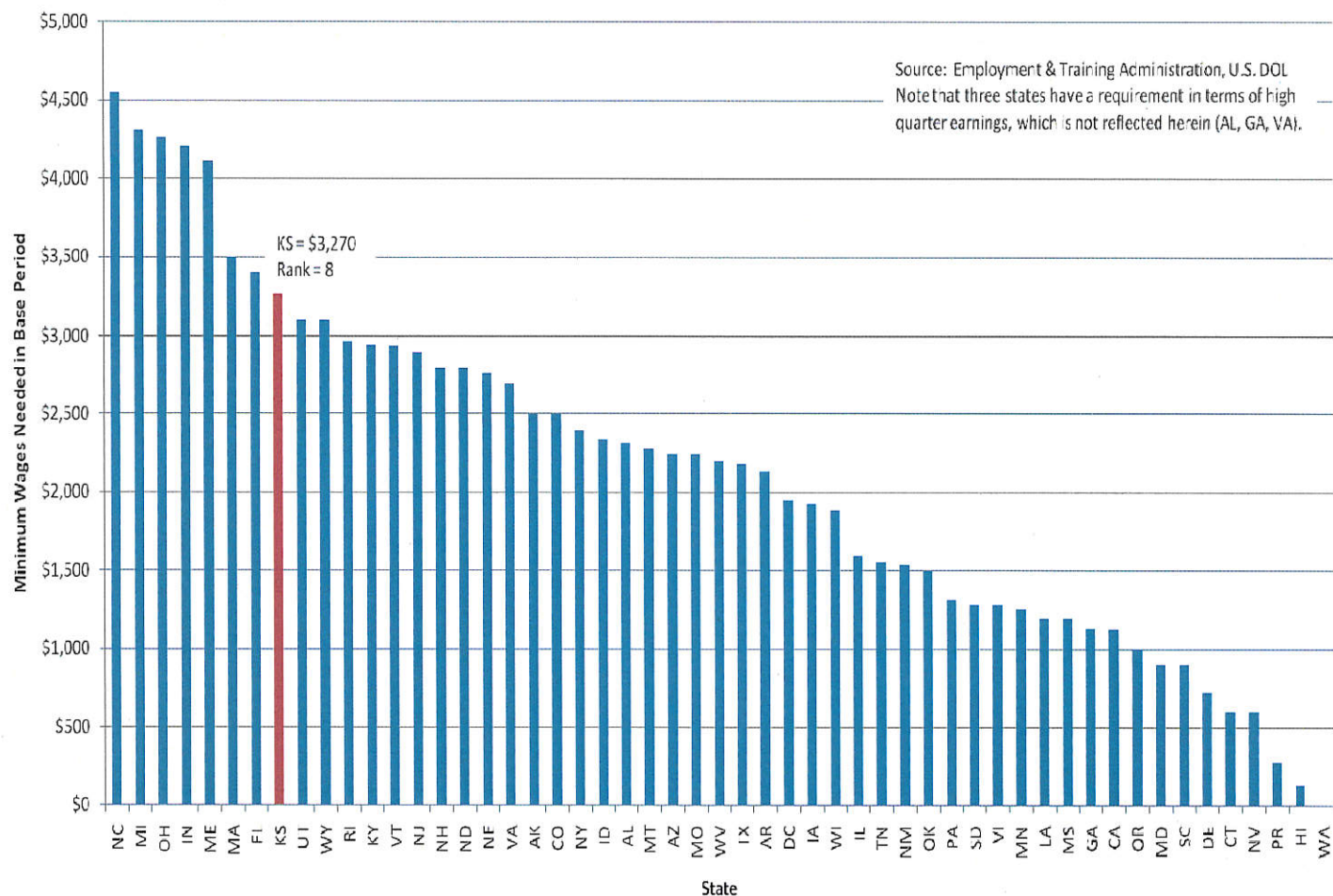
| <u>Calendar<br/>Year</u> | <u>Weeks of<br/>Duration</u> |
|--------------------------|------------------------------|
| 2000                     | 13.3                         |
| 2001                     | 13.4                         |
| 2002                     | 15.8                         |
| 2003                     | 16.0                         |
| 2004                     | 16.1                         |
| 2005                     | 15.3                         |
| 2006                     | 14.4                         |
| 2007                     | 13.7                         |
| 2008                     | 14.2                         |
| 2009                     | 18.1                         |

Average duration from 4<sup>th</sup> Qtr. 2009 to 3<sup>rd</sup> Qtr. 2010 was 19.0 weeks. The U.S. average during this time was 19.4 weeks.



# Comparing Benefits Statistics

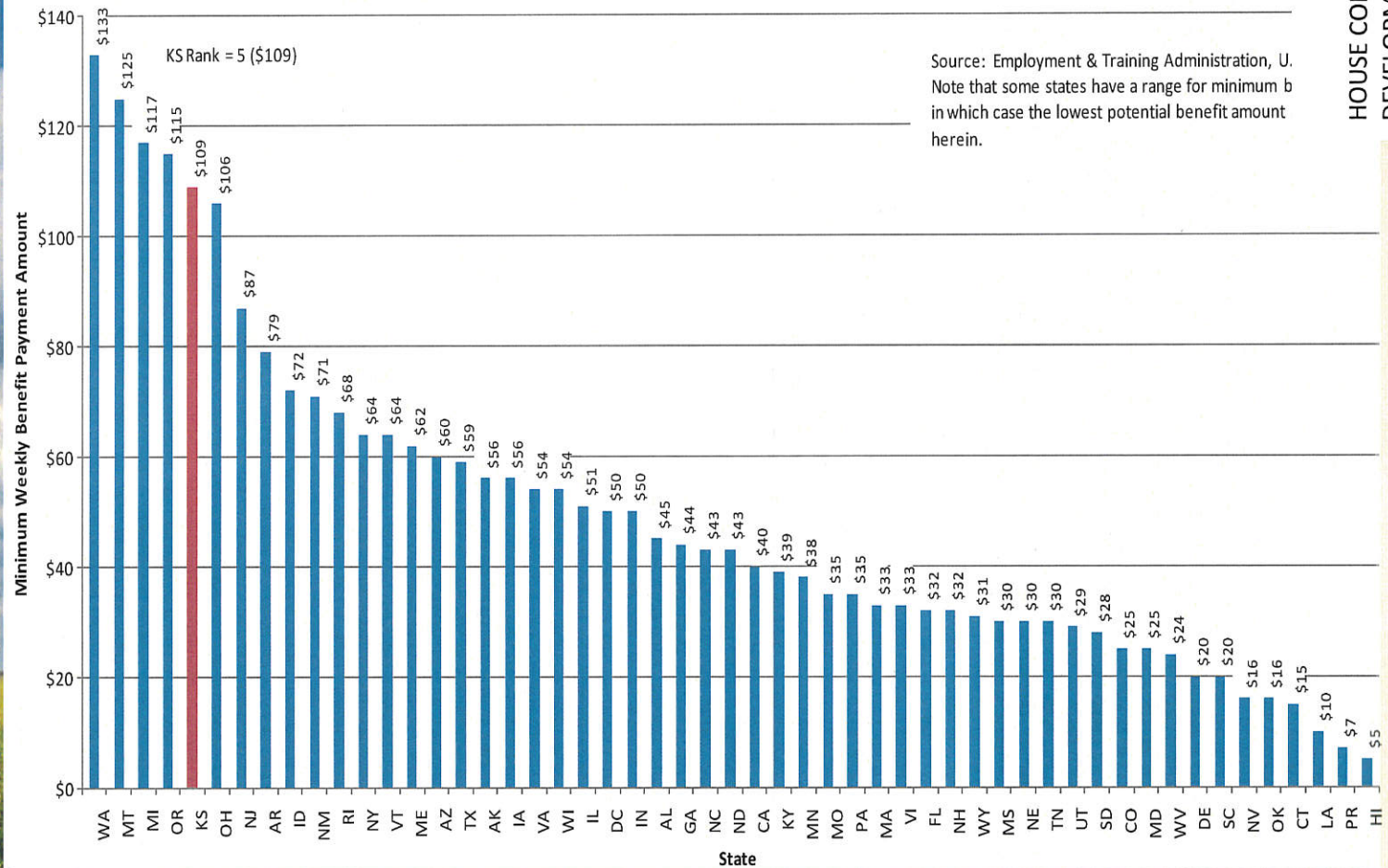
Minimum Wages Required to Qualify for Benefits  
2010





# Comparing Benefits Statistics

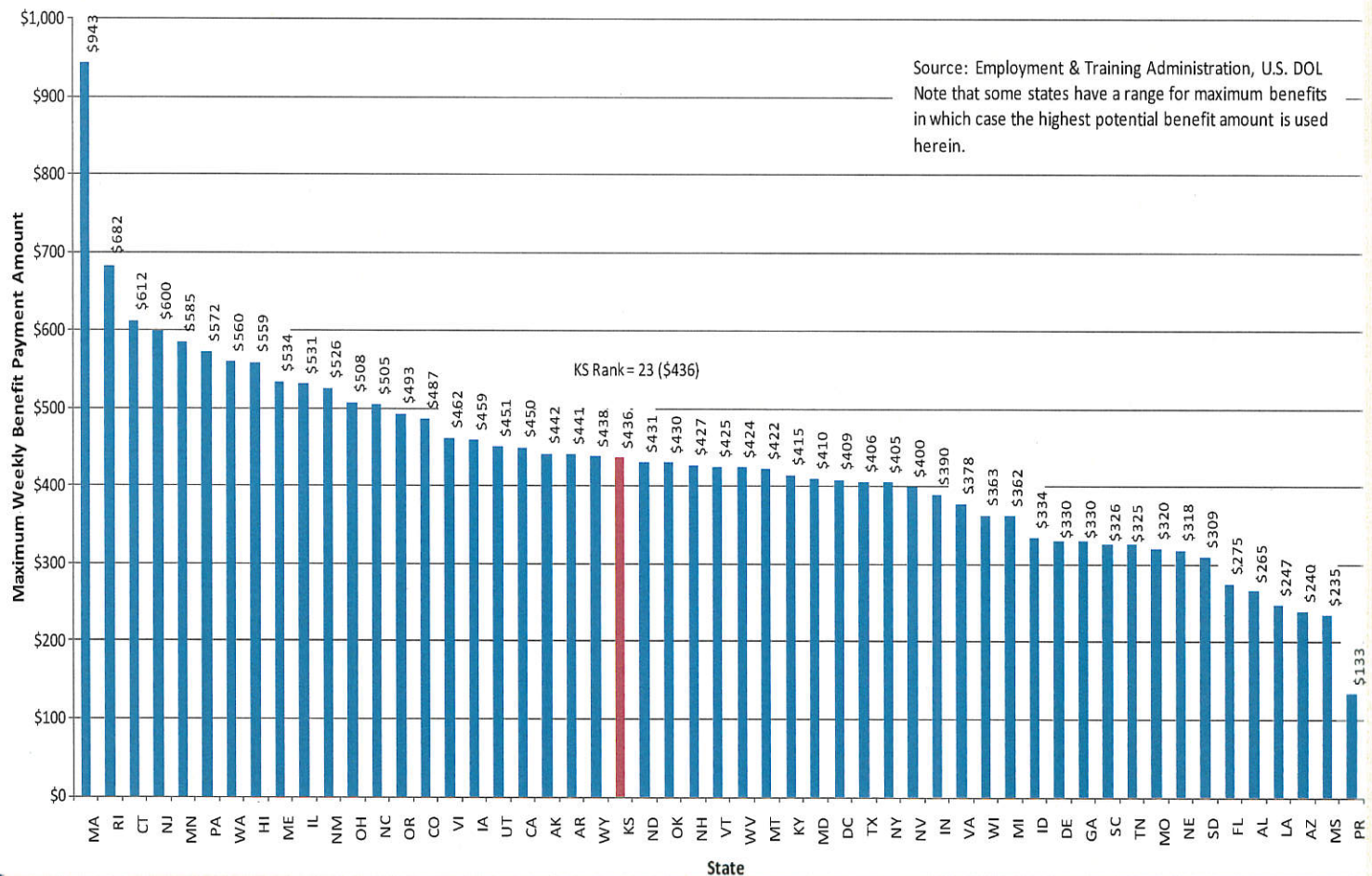
Minimum Weekly Benefit Payment Amount  
2010





# Comparing Benefits Statistics

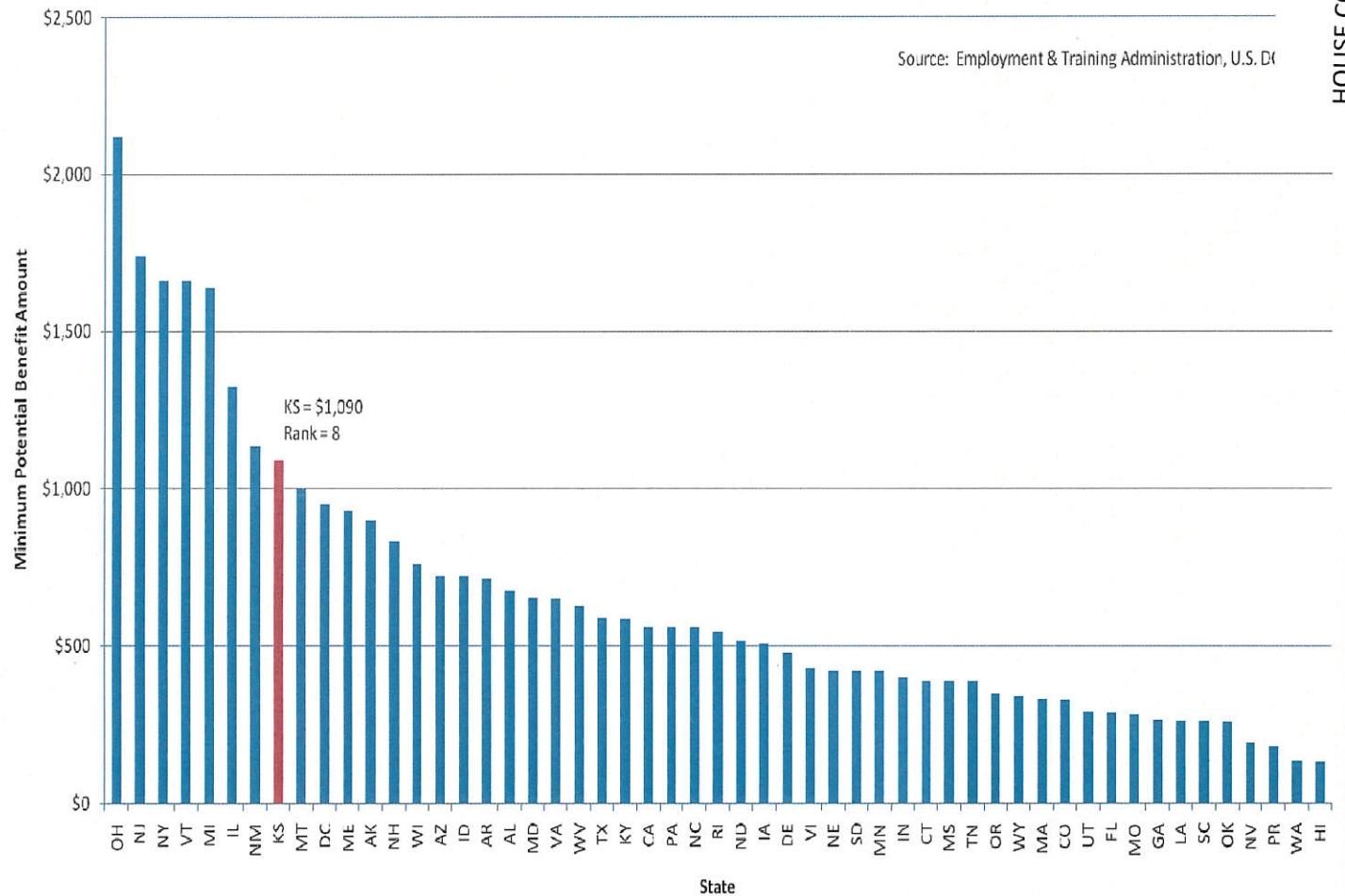
Maximum Weekly Benefit Payment Amount  
2010





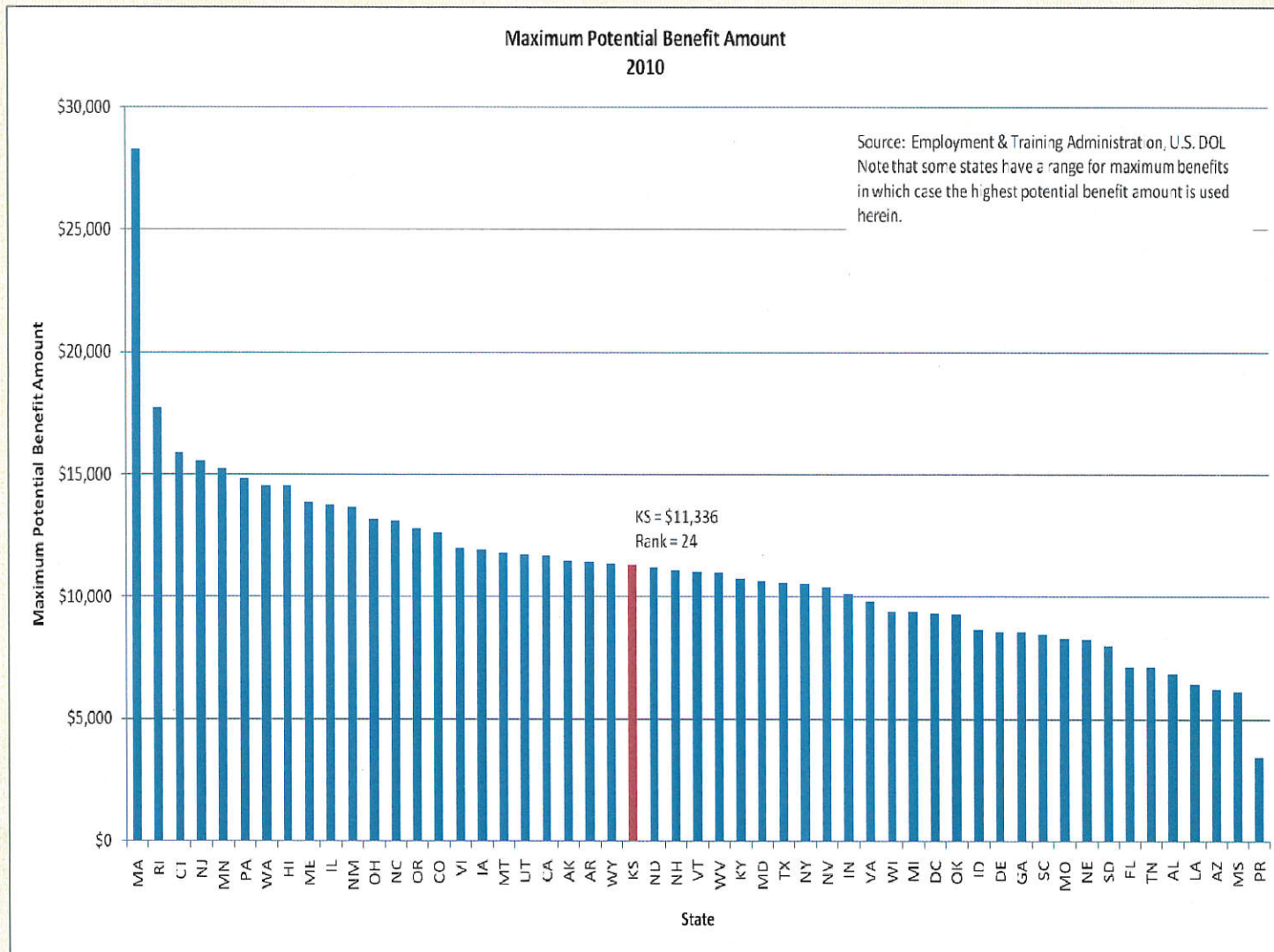
# Comparing Benefits Statistics

Minimum Potential Benefit Amount  
2010





# Comparing Benefits Statistics





## Available UI Benefits - Shared Work Program

- Qualifying employers may reduce the working hours of their employees, and those employees can collect unemployment insurance benefits for the remaining hours
  - Reduced operating costs for employers
  - Provides monetary support for furloughed employees
  - Save UI benefit costs by preventing layoffs
- To qualify for the Shared Work program, an employer must:
  - Submit a Shared Work application to KDOL
  - Have established an experience rating
  - Have a positive UI account balance
  - Be current on all UI tax payments and quarterly wage report filings
- Participation in the Shared Work Program has significantly increased during the recession:
  - 2007 – 40 employers
  - 2008 – 136 employers
  - 2009 – 509 employers
  - 2010 – 305 employers



## Available UI Benefits - Shared Work Program

- To qualify for the Shared Work program, an employer must also:
  - Submit a plan that affects at least 10% of the employees in the affected work unit
  - Propose a minimum 20% reduction, but no more than a 40% reduction, in hours for each employee in the plan

### Sample Shared Work UI Benefit Calculation:

Employee Earns - \$41,036.00/yr; \$789.15/wk

UI Weekly Benefit Amount - \$435.00

Weekly Wage with 20% reduction - \$631.32

Work Share payment @ 20% - \$87

Employee's Total Income for Week – \$718.32

- The employee must be able to establish a regular claim for benefits, based upon their last eighteen-month earnings to have benefits available under the Shared Work program



[www.dol.ks.gov](http://www.dol.ks.gov)

# Thank You

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## Questions?

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**KANSAS**  
DEPARTMENT OF LABOR

HOUSE COMMERCE & ECONOMIC  
DEVELOPMENT  
DATE: 6/3/02/2011  
ATTACHMENT: 2-45

