



Testimony for KS. Senate Hearing Commerce Committee
SB 154 Employment Security Law; Reform of UI Tax rate system

By Jeff Oswald, Unemployment Insurance Services
816-524-5999 – jo@uiskc.com

I am Jeff Oswald of Unemployment Insurance Services and I am representing a broad coalition of employers who have voiced their support for this bill. This group includes clients of my company, industry associations and groups, as well as many other individual employers. For the past year, a group containing many of these same employers and associations have engaged in an exhaustive review of the unemployment tax rate methodology currently used by the State of Kansas. As a result of this review, this group has formulated a reform to this methodology that would shift the method from the current arrayed system to a fixed tax rate schedule. Our goals in this project have been to provide a predictable and stable, but responsible method of funding the unemployment trust fund.

The consensus of Kansas employers has been that the current system over-taxes their organizations and is prone to huge variances in their annual tax liability. These variances make it difficult to plan and budget for this important expense. This frustration is only exacerbated by the feeling that they are being over-taxed by a system that does not reward “good players” in the system. This frustration is amplified further when a comparison is made of surrounding states and how their individual experience rating would be reflected in those tax rate systems. All of the employers that we engaged in this process would have a significantly better tax rate in the surrounding states if their experience was applied to the comparison states tax tables.

We believe that this reform will accomplish several key items. First, it will provide a method in which to responsibly finance the trust fund, but provide employers with much needed tax relief. Second, it will put a premium on each individual employer to properly manage their claims and charge experience. Employers who are not utilizing the system will be merit rated accordingly and will experience downward mobility if they maintain favorable reserve ratios. Third, it will not over-penalize employers who experience growth or have an isolated poor year in experience. These employers will see an increase in their tax rate, but the increase will be slower and modest compared to the current system. Fourth, we believe that this reform will make the Kansas system more competitive with surrounding states. Finally, the system has been built with automatic “solvency surcharges” to help the trust fund account for variances in the payment of benefit charges. These surcharges are based on the overall health of the trust fund and will be automatically implemented to reflect the actual balance of the trust fund.

To assist in the ensuring the solvency of the trust fund, this bill contains other key elements in addition to the solvency surcharges. This bill will cease the indexing of the maximum weekly benefit amount to the average wages of the state. Currently, Kansas has the ninth highest weekly benefit amount in the US. The bill will freeze the benefit amount at the current rate and future increases will be addressed statutorily. We are also maintaining the increase of the taxable wage base to \$14,000 per employee.



Historically, part of the issues with the funding mechanism has been that the taxable wage base has been static at \$8,000 since 1983 while at the same time the benefit amounts were increasing annually. These two elements combined will allow the taxable wage base to be more in line with weekly benefit amount and can be addressed statutorily in the future as a combined unit.

In conclusion, for the past year, our group has performed detailed analysis and comparisons of not only how the trust fund would perform in our proposed system, but how this system would impact individual employers. It is our opinion that we have devised a system that will responsibly finance the trust fund, but at a more measured rate of growth. This measured growth will allow employers to receive a merit rating that is based on their actual experience and use of the system. It will make it a premium for employers to be engaged in this process and to manage their claim activity in a proper manner. This reform will allow Kansas to have a more competitive tax rate system that is comparable with other states. Finally, it will provide tax relief for a vast majority of Kansas employers and provide them with a responsible and more predictable funding mechanism.

Thank you for your time and consideration of our proposed legislation,

A handwritten signature in black ink, appearing to read "Jeff Oswald", is written over the printed name.

Jeff Oswald
President/CEO
Unemployment Insurance Services