SESSION OF 2015

SUPPLEMENTAL NOTE ON SENATE BILL NO. 154

As Amended by Senate Committee on Commerce

Brief*

SB 154, as amended, would revise provisions of the Employment Security Law, commonly referred to as Unemployment Insurance (UI), pertaining to the calculation of weekly benefits and the assessment of employer contributions.

The maximum weekly benefit would be capped at the current level of $474 until December 31, 2017. Under current law, if a claimant is eligible for UI benefits, that individual may receive weekly benefits equal to 4.25 percent of the individual's total wages paid during that calendar quarter from the individual's base period in which total wages were the highest. However, the amount of weekly benefits paid may be no more than 60 percent of the average weekly wages paid to employees in insured work during the previous calendar year, as calculated annually by the Secretary of Labor. The minimum weekly benefits, as provided by current law, would remain equal to 25 percent of the maximum and would be $118 pursuant to the bill.

By January 1, 2017, the Secretary would recommend to the Speaker of the House of Representatives and the President of the Senate a maximum weekly benefit amount for the subsequent three-year period, which would commence on January 1, 2018. When preparing the recommendation, the Secretary would consider average weekly wages paid to employees in insured work during the previous fiscal year, the average duration of unemployment claims, and the ratio of

---

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at http://www.kslegislature.org.

the average weekly benefit amount to average weekly wages paid. The recommendation would be published in the *Kansas Register*. A new maximum weekly benefit amount would be enacted by legislation.

For new employers who have an insufficient employment history to qualify for an experience rating and who are not engaged in the construction industry, the contribution rate would decrease from 4.0 percent to 2.7 percent. The number of years that an entering and expanding employer could be eligible for a contribution rate of 2.7 percent would be decreased from four years to three years.

Starting in rate year 2016, employers with positive experience ratings, meaning employers who have contributed more to the UI Trust Fund than what that employer's unemployed workers have received in benefits, would be distributed amongst 27 rate groups. The standard rate for the positive groups would range from 0.20 percent for rate group 1 and increase by units of two-tenths of a percent in each subsequent rate group until 5.4 percent would be established for rate group 27. Under current law, positive rated employers are arrayed across 51 rate groups. Employers with negative experience ratings, meaning employers who have contributed less to the UI Trust Fund than what that employer's unemployed workers have received in benefits, would be distributed amongst 11 rate groups. The standard rate for the negative groups would range from 5.6 percent for rate group N1 and increase by units of two-tenths of a percent in each subsequent rate group until 7.6 percent would be established for rate group N11. Currently, negative rated employers are arrayed across ten rate groups.

Also starting in rate year 2016, the planned yield, which is the estimated amount of employer contributions necessary to finance UI for the year, would no longer be utilized. Instead, a solvency adjustment would be added to the standard employer contribution rates for both positive and negative classified employers. The solvency adjustment, which would be based upon the UI Trust Fund's reserve ratio (the Trust Fund balance as of July 31, divided by total payroll for contributing employers) and the average high benefit cost rate (an average of the three highest ratios of benefits paid to total wages in the most recent 20 years), would range from a maximum of 1.60 percent to -0.50 percent.

Background

Testimony provided in favor of the bill during the Senate Committee hearing was provided by representatives of the Kansas Chamber, the Kansas Society for Human Resource Management, the Kansas Beer Wholesalers Association, the Kansas Restaurant and Hospitality Association, the Wichita Chamber of Commerce, and private companies. Proponents stated the legislation would provide employers with predictability in UI assessments. A solvency surcharge would provide for variances in the payment of benefits.

Representatives of the Kansas AFL-CIO and the Kansas Department of Labor spoke in opposition to the bill. The representative for the AFL-CIO stated the maximum weekly benefit amount should automatically adjust annually to reflect the current average weekly wage. The representative for the Department, while supportive of the concept of a fixed system rather than an arrayed system, expressed concern the bill would not provide support for the UI System to retain a solvent Trust Fund during an economic recession.

The Senate Committee on Commerce amended the bill to revise the Fund Control Table and corresponding solvency adjustment from eight surcharge rates to six rates and to delete reference to future increases in the taxable wage base as a necessary accompaniment to a future increase of the cap on maximum weekly benefit amounts.

According to the fiscal note prepared by the Division of the Budget, in consultation with the Department of Labor, the bill, as introduced, would have decreased employer contributions by approximately $166 million in calendar year

2016. The Department estimated the UI Trust Fund's balance at the end of calendar year 2016 would be reduced from $473 million to $397 million. A revised fiscal estimate was not available when the Senate Committee recommended the amended bill be passed.