

SESSION OF 2015

SUPPLEMENTAL NOTE ON SENATE BILL NO. 154

As Amended by House Committee on
Commerce, Labor and Economic Development

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 maximum weekly benefits, the assessment of employer contributions, and the administration of the UI System.

Maximum Weekly Benefit Cap

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 (Secretary). The minimum weekly benefits, as provided by current law, would remain equal to 25 percent of the maximum weekly benefit. The maximum weekly benefit cap, starting on July 1, 2015, would be the greater of either \$474, which is the current maximum weekly benefit, or 55 percent of the average weekly wages paid to employees in insured work during the previous calendar year.

*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>

Assessment of Employer Conditions

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.

Administration of the UI System

The Secretary would examine whether an individual has separated from employment for each week that UI benefits are claimed. Individuals would not be disqualified from receiving UI benefits if that person has worked on a part-time basis as a substitute teacher while searching for suitable work.

The bill would re-phrase the language used to specify that when a decision of the Employment Security Board of Review becomes final, a decision may not be appealed for judicial review after 16 days have passed since the decision was mailed to the involved parties.

The bill would repeal:

- The requirement of the Secretary to hold examinations to determine applicants' qualifications for UI jobs;
- The prohibition placed on employing individuals in the UI Division who are active in partisan politics; and
- The requirement that individuals administering the UI System remain nonpartisan.

Failure to remain nonpartisan, under current law, requires an employee to be discharged.

Starting on July 1, 2016, all employers and third party administrators would be required to file wage reports, contribution returns, payments, and interest by electronic means. Under current law, those persons employing 50 or more employees are required to file electronically.

Background

The provisions of HB 2357, as introduced, pertaining to the administration of the UI System, were amended into the contents of SB 154 by the House Committee on Commerce, Labor and Economic Development. The following is the background for both bills.

Background of SB 154

Testimony provided in favor of SB 154 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 SB 154. 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 SB 154 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.

During the House Committee hearing, testimony in favor of SB 154 was provided by representatives of the Kansas Chamber, the Kansas Society for Human Resource

Management, the National Federation of Independent Businesses, and a private business. A representative of the Department of Labor provided neutral testimony.

The House Committee on Commerce, Labor and Economic Development amended SB 154 to delete the provision which would have frozen the maximum weekly benefit cap for three years and would have required subsequent legislation pertaining to the benefit cap to be enacted. In its place, the Committee inserted provisions for the maximum weekly benefit to be either \$474 or 55 percent of the annual average of weekly wages paid, whichever is greater.

Background on HB 2357

During the House Committee hearing, a representative of the Department of Labor spoke in favor of HB 2357; the legislation would strengthen and clarify existing employment security law and remove certain personnel restrictions. There was no opponent or neutral testimony.

Fiscal Notes for SB 154 and HB 2357

The fiscal note for SB 154, as introduced, no longer reflects the contents of this portion of the bill, as amended. The Department of Labor currently estimates employer contributions for rate year 2016 could collect an estimated \$352.3 million to \$469.1 million. Depending upon claims paid, solvency adjustments, and other factors, by July 2016 the UI Trust Fund balance may fall between \$550.5 million to \$643.0 million.

According to the fiscal note prepared by the Division of the Budget, in consultation with the Department of Labor, HB 2357, as introduced, would increase UI benefit payments by \$543,834 in both FY 2016 and FY 2017. The UI Trust Fund would be able to absorb the additional UI benefits without adjusting the current employer contribution rates.