

# HB 2196

## Kansas UI Reforms:

*February 4, 2021*

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*Presented to:*

*KS House Commerce, Labor and Economic Development*

*Presented By:*

*Phillip M. Hayes – Vice President, The Arnold Group*

*On behalf of:*

*KS SHRM and Kansas Employer Community*

# 1. Unemployment Compensation Modernization Council

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- Comprised of **11 members**:
  - 2 Employers
  - 2 Employees
  - 6 Kansas Legislators
  - 1 Member from KDOL
- Primary focus includes:
  - Review/recommend technological infrastructure used to file claims and pay benefits as well as the customer experience
  - Recommend features to maximize responsiveness
  - Recommend methods for sharing data across systems related to UI compensation to maximize efficiency
  - Recommend methods for synergizing user experience across KDOL programs

## 2. Modernization of Kansas UI System

### New Technology & Platform

- Component Centric Architecture
- Configurability
- Results-Driven Customer Empowerment
- Extensibility
- Reporting
- Adaptable and Scalable Platform
- Enterprise Service Bus
- Version Control / Change Control
- Multi-Speed IT
- Data Migration / Data Architecture
- Legacy Integration

### Bottom Line

- Modern, reliable, and modifiable
- System integrity
- 12/31/22 Implementation deadline
- Continual focus on development, customization, enhancements, and upgrades



## 2. Modernization of Kansas UI System

### 1. Efficient Benefit Claims & Payment Management

- Claims Management
- Eligibility and Payment Processes
- Monetary and Non-Monetary Determinations
- Overpayment and Collections Management
- Fraud Prevention – ID.me
- Accounting and Auditing

### 2. Integrated Tax Management Functionality

- Account Registration
- Tax and Wage Reports
- Adjustments and Payments
- Delinquencies and Collections
- Tax Audit Assignments
- Tax Performance Systems

### 3. Comprehensive Appeals Filing and Tracking

- Appeal Filing and Management
- Hearings and Decisions
- Correspondence and Notices
- Integrated Workflow
- Self-Service Features
- Federal Reporting



### 3. Notify Recipients of UI Benefits of Tax Liability

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- Introduce a requirement to include an announcement on an unemployment insurance benefit claimant's **initial notice of determination**
- Serves to inform claimants of federal/state tax consequences of any unemployment compensation benefits the claimant may receive
- Provide information regarding the tax withholding process and KDOL's Income Tax Withholding Agreement (Form K-BEN 233) for tax withholding elections to each claimant at the beginning of their claim year

## 4. Transparency in UI Trust Fund Computations and Data Reporting

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- Post and maintain trust fund computations/data for each of the most recent 20 fiscal years
- Within 90 days of each fiscal year's closing date
- ERs should have a clear summary of the variables impacting their tax rate

## 5. KS Duration of Benefits – Align with Federal Reserve

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- Adjust the KS unemployment rate triggers
- Triggers control the duration of benefits in Kansas
- Aligns KS statute with the Federal Reserve's base unemployment rate threshold of 5.0% – 5.2%, the national economic unemployment rate standard

## 6. Provide Employer Relief for Fraudulent Charges

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- Provide economic relief to Kansas employers
- Specific, limited, targeted timeframe

## 7. Base Employer Solvency Charge by Each Employers Experience Rating

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- Removes flat rate adjustments applied across the board
- Apply base rate MERIT based principles to solvency and credit adjustments
  - Trust fund replenishment is more evenly spread out and avoids disproportionately penalizing employers who use the fund the least
  - Provides fair and proportional trust fund solvency/credit adjustments for each and every rated employer
- Rebalance trust fund tax triggers and increase number of tax rate tables
  - Adjust trigger thresholds to determine tax table/rates for each upcoming year
  - Increase # of solvency tax tables from 5 to 6 and mirror new credit tax tables
  - Apply base rate merit-rated philosophy to credit and solvency adjustments:
    - Levels impact for each rate group at same percentage increase/decrease, AND
    - Each rated employer's tax rate (both base rate & solvency/credit adjustment) would be based truly on overall earned experience rate, resulting from usage of the system

## 7. Base Employer Solvency Charge by Each Employers Experience Rating

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- **Without** adopting these changes, KS employers will experience the following increases in their UI tax rate:
  - Top/Best 10 Rate Groups:
    - 37,867 Employers | **64.55%** of all rated employers
    - SUTA tax rate Increases ranging from **180.00% to 800.00%**
      - Average increase of 490.00%
  - Bottom 11 (Negative) Rate Groups:
    - 3,178 Employers | **5.42%** of all rated employers
    - SUTA tax rate Increases ranging from **21.05% to 28.57%**
      - Average increase of **24.81%**

# Proportional Solvency & Credit Triggers

Solvency Adjustment		1.6000							
Proposed/MERIT Solvency Adjustment Rate		0.0421							
Rate Group	Standard/Earned Rate	Current - Full Increment	Current - Full Rate	Proposed - MERIT Increment	Proposed - Balanced				
1	0.200	1.600	800.00%	1.800	900.00%	0.0421	21.05%	0.2421	121.05%
2	0.400	1.600	400.00%	2.000	500.00%	0.0842	21.05%	0.4842	121.05%
3	0.600	1.600	266.67%	2.200	366.67%	0.1263	21.05%	0.7263	121.05%
4	0.800	1.600	200.00%	2.400	300.00%	0.1684	21.05%	0.9684	121.05%
5	1.000	1.600	160.00%	2.600	260.00%	0.2105	21.05%	1.2105	121.05%
6	1.200	1.600	133.33%	2.800	233.33%	0.2526	21.05%	1.4526	121.05%
7	1.400	1.600	114.29%	3.000	214.29%	0.2947	21.05%	1.6947	121.05%
8	1.600	1.600	100.00%	3.200	200.00%	0.3368	21.05%	1.9368	121.05%
9	1.800	1.600	88.89%	3.400	188.89%	0.3789	21.05%	2.1789	121.05%
10	2.000	1.600	80.00%	3.600	180.00%	0.4211	21.05%	2.4211	121.05%
11	2.200	1.600	72.73%	3.800	172.73%	0.4632	21.05%	2.6632	121.05%
12	2.400	1.600	66.67%	4.000	166.67%	0.5053	21.05%	2.9053	121.05%
13	2.600	1.600	61.54%	4.200	161.54%	0.5474	21.05%	3.1474	121.05%
14	2.800	1.600	57.14%	4.400	157.14%	0.5895	21.05%	3.3895	121.05%
15	3.000	1.600	53.33%	4.600	153.33%	0.6316	21.05%	3.6316	121.05%
16	3.200	1.600	50.00%	4.800	150.00%	0.6737	21.05%	3.8737	121.05%
17	3.400	1.600	47.06%	5.000	147.06%	0.7158	21.05%	4.1158	121.05%
18	3.600	1.600	44.44%	5.200	144.44%	0.7579	21.05%	4.3579	121.05%
19	3.800	1.600	42.11%	5.400	142.11%	0.8000	21.05%	4.6000	121.05%
20	4.000	1.600	40.00%	5.600	140.00%	0.8421	21.05%	4.8421	121.05%
21	4.200	1.600	38.10%	5.800	138.10%	0.8842	21.05%	5.0842	121.05%
22	4.400	1.600	36.36%	6.000	136.36%	0.9263	21.05%	5.3263	121.05%
23	4.600	1.600	34.78%	6.200	134.78%	0.9684	21.05%	5.5684	121.05%
24	4.800	1.600	33.33%	6.400	133.33%	1.0105	21.05%	5.8105	121.05%
25	5.000	1.600	32.00%	6.600	132.00%	1.0526	21.05%	6.0526	121.05%
26	5.200	1.600	30.77%	6.800	130.77%	1.0947	21.05%	6.2947	121.05%
27	5.400	1.600	29.63%	7.000	129.63%	1.1368	21.05%	6.5368	121.05%
N1	5.600	1.600	28.57%	7.200	128.57%	1.1789	21.05%	6.7789	121.05%
N2	5.800	1.600	27.59%	7.400	127.59%	1.2211	21.05%	7.0211	121.05%
N3	6.000	1.600	26.67%	7.600	126.67%	1.2632	21.05%	7.2632	121.05%
N4	6.200	1.600	25.81%	7.800	125.81%	1.3053	21.05%	7.5053	121.05%
N5	6.400	1.600	25.00%	8.000	125.00%	1.3474	21.05%	7.7474	121.05%
N6	6.600	1.600	24.24%	8.200	124.24%	1.3895	21.05%	7.9895	121.05%
N7	6.800	1.600	23.53%	8.400	123.53%	1.4316	21.05%	8.2316	121.05%
N8	7.000	1.600	22.86%	8.600	122.86%	1.4737	21.05%	8.4737	121.05%
N9	7.200	1.600	22.22%	8.800	122.22%	1.5158	21.05%	8.7158	121.05%
N10	7.400	1.600	21.62%	9.000	121.62%	1.5579	21.05%	8.9579	121.05%
N11	7.600	1.600	21.05%	9.200	121.05%	1.6000	21.05%	9.2000	121.05%

- **Current/Full Solvency Adjustment:**
  - Imbalanced / Unfair Approach
  - Punitive Mechanism for Good Actors



- **Proposed/MERIT Solvency Adjustment:**
  - Balanced / Fair Approach
  - Non-Punitive Mechanism for ALL Actors



# Proportional Solvency & Credit Tax Tables

## Current

Fund Control Table

Schedule	Lower AHCM Threshold	Upper AHCM Threshold	Solvency Adjustment to Standard Rate
1	-1000.00000	0.19999	1.60%
2	0.20000	0.44999	1.40%
3	0.45000	0.59999	1.20%
4	0.60000	0.74999	1.00%
5	0.75000	1.14999	0.00%
6	1.15000	1000.00000	-0.50%

## Proposed

Fund Control Table

KS SUTA Tax Rate Schedules	Lower AHCM Threshold	Upper AHCM Threshold	Solvency/Credit Adjustment to <u>Maximum Standard Rate</u>	Solvency/Credit Adjustment as a Rate Group Multiplier to <u>Earned Rate Group</u>	Solvency/Credit Adjustment as a Total % to Employer's <u>Earned Rate Group</u>	
Solvency Schedules	1	-1000.00000	-0.00001	2.00%	0.052632%	26.32%
	2	0.00000	0.24999	1.80%	0.04737%	26.68%
	3	0.25000	0.44999	1.60%	0.04211%	21.05%
	4	0.45000	0.59999	1.40%	0.03684%	18.42%
	5	0.60000	0.69999	1.20%	0.03158%	15.79%
	6	0.70000	0.74999	1.00%	0.02632%	13.16%
Standard Schedule	7	0.75000	1.24999	0.00%	0.00000%	0.00%
Credit Schedules	8	1.25000	1.29999	-1.00%	-0.02632%	-13.16%
	9	1.30000	1.39999	-1.20%	-0.03158%	-15.79%
	10	1.40000	1.54999	-1.40%	-0.03684%	-18.42%
	11	1.55000	1.74999	-1.60%	-0.04211%	-21.05%
	12	1.75000	1.99999	-1.80%	-0.04737%	-23.68%
	13	2.00000	1000.00000	-2.00%	-0.05263%	-26.32%

**\* Comparison for an Employer with 100 Employees Using a 1.60% Solvency Adjustment:**

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|--------------------------------------------------------------|----------------------------------------------------------------|
| • Rate Group 1: 0.20 → <b>1.80</b>   <b>+\$22,400</b>        | • Rate Group 1: 0.20 → <b>0.2421</b>   <b>+589</b>             |
| • Rate Group 19: 3.80 → <b>5.40</b>   <b>+\$22,400</b>       | • Rate Group 19: 3.80 → <b>4.5999</b>   <b>+\$11,200</b>       |
| • Rate Group 38 (N11): 7.60 → <b>9.20</b>   <b>+\$22,400</b> | • Rate Group 38 (N11): 7.60 → <b>9.2000</b>   <b>+\$22,400</b> |



## 8. Provide Immediate Refund to Employer Accounts for Claimant Fraud

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- Employers to receive full chargeability credits immediately upon any fraud determination decisions
  - for any unemployment benefit amounts erroneously, improperly or fraudulently paid
  - to any person associated with their employer SUTA account
- As reported under The Payment Integrity Information Act (PIIA),
  - and as a result of the inadequacies of the KDOL's UI IT system
  - any/all improper payment amounts determined between 3/15/20 & 12/31/22
  - should be replenished to the Kansas UI Trust Fund

## 9. Expand / Enhance the Kansas Work Share Program

- At least 10% but not more than 50% weekly hours reduction during a negative business cycle, recession, pandemic, etc.
  - No limit of # of weeks per year, but total paid cannot exceed 26 x WBA
    - Claim balance per claimant’s WBA X maximum eligible weeks based on current State UI Rate
  - Convert Employer Weekly Certification process to electronic submission
  
- Encourage and improve business participation
  - Increase marketing/promotion to employer community
  - Reduce the administrative burden for employers
  
- Allow and limit negative rated ERs (N1-N11) to 1 program year (12 months) over any 5 year period of time within 12 months of declared recession

2020 (1)
2021 (2)
2022 (3)
2023 (4)
2024 (5)
2025
2026
2027 (1)...

## 10. Job Refusal Acknowledge, Process and Responses

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- Requirement for KDOL to Acknowledge, Process and Respond to ALL Reported Job Refusals
- Just as employers have 10 days to respond to KDOL's Employer Job Refusal Statement form, KDOL should have the same requirement to respond to all job refusals reported by an employer
- All reported job refusals should be acknowledged, processed and responded to in a timely manner to ensure a proper determination will be made by KDOL

Questions?

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