



January 4, 2021

This memorandum provides information regarding the last major modernization project related to the Kansas unemployment insurance system, which occurred during the 2000s. This includes the funding sources used for the project and the timeline of the project.

Funding Sources

Section 38(f) of 2004 Senate Sub. for HB 2471 authorized bonding authority for the Kansas Department of Labor (KDOL) of \$21.0 million for fiscal year (FY) 2005. This authority was specifically for “an information technology project to upgrade the unemployment insurance benefit system.” KDOL was required to present the project to the Joint Committee on Information Technology (JCIT) for review and the bonding authority was subject to the approval of the State Finance Council. Additionally, KDOL was required to pay the principal and interest on the bonds with State General Fund moneys or any appropriate special revenue funds, including any federal moneys distributed pursuant to the Employment Security Administrative Financing Act of 1954 (under provisions known as the Reed Act). The last disbursement of federal moneys *via* the Reed Act occurred in 2002 and Kansas received \$78.2 million in federal funding. At the time, KDOL intended to use an amount roughly equivalent to the interest earned on the principal of the Reed Act funds over a period of six years to finance the project. This would have ensured the principal amount of the Reed Act funds would remain relatively consistent over the six-year period.

To further fund the project, Section 50(b) of 2007 House Sub. for SB 357 authorized KDOL to spend up to \$26.0 million in Reed Act moneys for FY 2007 for the unemployment insurance system modernization project. These two appropriations brought the total funding for the project to approximately \$47.0 million.

Project Timeline

During the 2004 Interim, JCIT reviewed the findings of KDOL’s needs assessment and feasibility study of the unemployment insurance system.

The findings were as follows:

- The application and underlying data structure of the unemployment insurance system used obsolete technology, was overly complex and difficult to maintain, and had many unresolved errors;

- The majority of the agency's information services programmers lacked the knowledge and understanding to adequately maintain the outdated system;
- Recent changes to Kansas unemployment insurance benefits, including the Temporary Extended Unemployment Compensation program and the Kansas Additional Benefit program, were implemented quickly and the upgrades to the unemployment insurance system were not designed well and resulted in a number of problems and errors; and
- The agency's unemployment insurance program could not make changes to improve operating efficiency because only mandated changes could be made to the unemployment insurance system.

In June 2004, after JCIT reviewed the needs assessment and feasibility study, KDOL received the approval of the State Finance Council to issue bonds totaling \$21.0 million for the modernization of the unemployment insurance system.

JCIT monitored the progress of the modernization project over the next few years. The 2006, 2007, and 2008 interim reports of JCIT indicated the project was progressing.

The modernization project was canceled in December 2011 with approximately half of the projected completed. Approximately \$51.0 million had been spent on the project at the time of its cancellation.