

MINUTES OF THE SENATE BUSINESS & LABOR COMMITTEE

The meeting was called to order by Chairperson Susan Wagle at 8::30 a.m. on January 26, 2010, in Room 548-S of the Capitol.

All members were present except:
Senator Dick Kelsey- excused

Committee staff present:

Ms. Margaret Cianciarulo, Committee Assistant
Mr. Reed Holwegner, Kansas Legislative Research Department
Ms. Kathie Sparks, Kansas Legislative Research Department
Mr. Ken Wilke, Kansas Office of Revisor of Statutes

Conferees appearing before the Committee:

Mr. Jim Garner, Secretary, Kansas Department of Labor

Others attending:

See attached list.

Overview of the Kansas Unemployment Fund

Upon opening the meeting Chairperson Wagle recognized Mr. Jim Garner, Secretary, Kansas Department of Labor who stated his hand out is a followup from his last visit to the Committee meeting of January 19, 2010, where a number of questions were asked. KDOL has tried to compile the responses to those questions into this presentation. He mentioned that he had given a similar presentation to the House Committee and of course, they had questions also, so he incorporated both, some of the information may not respond to questions from this Committee but of the House Committee. He offered a handout entitled "Unemployment Insurance Activity in Kansas" that included:

Page 2 UI (Unemployment Insurance) activity for 2009 including comparisons with other years. For example,

A. Initial claims for UI benefits filed in 2009 were 289,620 compared to 181,575 from 2008.

B. UI benefits for which the State of Kansas was liable totaled \$766,771,767 in 2009 compared to \$333,067,814 from 2008.

(The Chair stated that the above figures were only the State's obligation, and what they pay did not include federal money.)

Page 3 A UI Trust Fund Activity chart showing benefits, contributions and interest received from years 1995 through 2009 which included the moratorium years and the three years of reduced rates.

Page 4 A Trust Fund Balance chart from 1994 to 2009 by month.

Page 5 A breakdown of UI benefit appeals for 2009 including claims filed and decided in favor of claimant or employer in both the lower and higher level appeals.

Pages 6 through 18 are KDOL's answers to questions asked in the January 19, 2010 meeting.

Page 6 & 7 The tax rate notification process including reduced tax rates that had been in effect for the previous three years would not be triggered in 2010.

Page 8 & 9 A comparison of 2009 and 2010 tax rates and a chart showing contributions in relation to total wages from 1938 through 2008 US & Kansas (Kansas data includes 2009 & 2010 rates.)

Page 10 - 13 Rate charts on pages 10, 11, 12, and 13 are rates for positive balance eligible employers, negative balance, and ineligible employers for both 2009 & 2010.

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Regarding chart 10, specifically, positive eligible employers for 2010, Secretary Garner stated by law, they have to distribute the rate groups by taxable wage for equal distribution in the 51-rate groups. He explained the last column "Annual Cost per Employee," is taking that tax rate times \$8K (If an employee is earning the full \$8K, what are you paying in taxes on that employee?)

Regarding chart 11 for 2009, the last two columns are a comparison of how much the taxes are per employee under the original standard law, what the contribution would have been, and the reduced rate. To refresh, the reduced rate groups one through five get 100% reduction in their taxes, rate groups six through 28 get a 50% reduction in their taxes, and rate groups, 29 through 51 get a 40% reduction in their tax rate.

Regarding chart 12, rates for negative balance employees, they have to pay the maximum rate which is 5.4% and on top of that, based on their negative experience, there is a surcharge placed on them and when this is added on, it makes their rate anywhere from 5.6% up to 7.4%. (The maximum rate by law for negative balance employers is 7.4% and this does not change from year to year.) He went on to say the number of negative balance employers has jumped from 4,700 in 2009 to 6,370 for 2010 because of the economy.

The ineligible employers are the new employers and they pay a flat rate of 6% if construction, all others pay a flat rate of 4% and this will not change as it is set in statute.

Page 13 2010 Tax rates of Kansas and border states as shown on slide 13. He stated it is hard to compare because there are certain variables, as shown in the last column of the chart "Taxable Wage Base."

Regarding the ESAC Committee that makes recommendations, the Chair asked if they have they determined that they want to increase the wage base to \$9K next year and how soon will the Committee know if there is a recommendation? Answer: They will be meeting next week and the results should be available after that because they are close to a recommendation.

Comments also came from Senators Brownlee who stated she would find it more meaningful to know what these other states are charging, is there an average tax rate and where were they at last year and this year? Senator Emler also commented that it would be helpful for the Committee to look at something similar to page 4 to answer, do the other states have the same or similar graph or is there a flatter graph and if yes, why is it flatter? The Chair mentioned that she has already asked Secretary Garner to provide the Committee information for each of the categories on how negative are these negative employers as far as payments being paid, including the difference between the money they have paid in and the money that has left the system for their company?

Page 14 Comparison of the positive balance, negative balance, and new employers tax rate groups. The pie charts show the number of employers & employees, taxable wages, and what is their contribution to the system. He did answer one question which was why are positive balance employers paying so much into the fund? Answer: Because as the pie chart shows they are 82% of the taxable wages that exist in the state.

The Chair asked how many years are you considered a new employer? Answer: You have to have 24 consecutive months of experience to become an experienced rated employer.

Page 15 - 17 Regarding "Types of Kansas Employers," Secretary Garner was asked what are reimbursing employers? Answer: He said there is another statute that deals with those entities where 100% reimbursement of benefits is paid out on their account. (They pay out benefits KDOL collects 100% back of what they paid in benefits.) There are only 715 active accounts that are reimbursing employers (governmental entities, non profits, Indian tribes, etc.) in Kansas.

Next, he said a government entity may also choose to be a rated government, meaning, having more of an experienced rated approach to their taxes. They do have a mechanism in statute that sets up how they rate government entities and collect the taxes for them on a fiscal year approach, due to the complications of their taxes in March.

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He went on to say, that the State of Kansas by law has an alternative version of reimbursing employers. KDOL looked back at the last five years of experience, determined a reimbursement that is required by the State. They send a notice every year to the Department of Administration indicating how much money needs to be collected to pay the fund to cover the unemployment benefits for state employees.

Page 18 Regarding borrowing from the federal government, there have been 30 states that made requests to the US DOL for advances to cover unemployment benefits. Twenty-seven have already received their dollars, incurring debt for their state under this system. Regarding border states, Missouri has had longest experience with this with a total of \$527 million of borrowed funds to pay benefits. Kansas is estimated to begin borrowing in February 2010.

The Chair recognized Senator Schodorf who asked what he means by borrowing and do we have to pay it back? Answer: When the amount of money in the State's Unemployment Insurance account gets to zero, then they get an advance from the US Treasury on a daily basis to cover whatever outstanding is there. There is a separate federal account that handles those extended benefit programs and it is handled from a separate source altogether. This fund is for the regular unemployment benefits and has to be paid back.

The Chair asked him how much money he has to borrow in February to get through that month? Answer: Their balance right now is at \$51 million and they are paying out around \$15 million a week which will get them through most of February. The Chair then recognized Senator Lynn who asked what is the interest on the money we will be borrowing and what is the pay back? Answer: Secretary Garner referred the Committee to:

Page 19 Title X22 Advance and Repayment Process, explains how the state draws money to pay benefits as usual and how they repay.

Page 20 Regarding the Reduced Federal Unemployment Tax Act (FUTA), there is a mechanism in the federal law to have it paid back if the state does not come up with its own mechanism for paying back the funds. Every employer in the state has to pay 6.2% in federal unemployment taxes in addition to state. However any state with an approved UI program, the employers in that state get a credit of 5.4%, so the effective rate for the federal tax for Kansas employers is 0.8%. If you go two Januaries in the debt situation, then the federal government starts reducing the 5.4% credit by .3% each year and keeps increasing until they raise enough money to cover the amount of money that has been lent to the state.

He did say there are also mechanisms that can be put in place at the state level to raise that money and that's some of the things the Employment Security Advisory Council (ESAC) has been looking at. (Is there another mechanism that would be more favorable for us to look at rather than waiting for the federal government to start tacking on that additional rate each year?) And, there is no time limit to repay but there is this mechanism that goes into effect. Additionally, in the third year of being in that situation there are additional reductions that can be put into place to help raise that money quicker.

The Chair then asked the Secretary to recap the rates and a breakdown of what have they collected.

Following is the federal tax rate used in reducing the 5.4% credit:

.8% in calendar year 2011
1.1% in calendar year 2012
1.4% in calendar year 2013
1.7% in calendar year 2014

Secretary Garner said they do have a scenario that they ran for the ESAC of the KDOL's estimate of what they collected in each of those years, based on the current situation, so we show that breakdown.

The Chair said the Committee does need to see that breakdown and asked, do the feds notify the businesses? Answer: Yes.

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Page 21 & 22 Interest Payments on Title XII Loans

The Secretary went on to explain Senator Lynn's question, is there interest accrued on this? Answer: There is and however much interest has been accrued on the advance since the last payment it has to be paid no later September 30 of each year. He mentioned that the Recovery Act had a provision in it that waived any interest from accruing through the calendar year 2010. Kansas would not be required to make an interest payment until September 30, 2011, unless they do not extend the waiver of interest and it kicks back on in January then they would start accruing interest January 2011 with the payment still due September 30, 2011.

Interest cannot be paid out of the standard regular UI contributions as there has to be a separate mechanism for paying that interest payment. (This is another item that the ESAC is looking at.)

Page 22 shows what the interest rate has been for the last five years on this provision. They have estimated about \$40 million will be needed for the interest payment due in September 2011. A copy of his handout is (Attachment 1) attached and incorporated into the Minutes as referenced.

Questions for the Secretary came from Senators Lynn and Brownlee including: please explain when you discussed the interest payment, there is a separated mechanism, where is this mechanism, and are employers paying the interest? Answer: The federal requirement is they really don't care as long as it is not coming from regular employment contributions. It could come from State General Funds. This is Kansas' first time but 27 other states already have in place in their law a mechanism called "The Interest Payment Surcharge" and this is what the ESAC is looking at. Senator Brownlee asked, of all the money that was paid out in 2009 how much of that was raised in state and how much of that was from the federal? Answer: Referring to the \$766 million from the State UI Trust Fund, \$334 million in the Federal Extended Program and then about \$17 million in the State/Federal Extended Benefit Program. She also asked, of that \$766 million, did all of that go to the normal 26-week program? Answer: Yes it did. Senator Lynn asked him to explain the "surcharge" on the loan. Answer: Other states have a mechanism where they figure out how much they need for interest payments and then they spread it out equally over the employer accounts to equal the payment due.

Chairman Wagle thanked Secretary Garner and let the Committee know that tomorrow they would be hearing testimony from businesses across the state that didn't expect this rate increase in their taxes and are wanting us to work with them on what they owe.

The Chair then said she would like to introduce two bills that the Committee can think about:

Introduction of Bills

1. Chairperson Wagle said there is discussion where wage base is higher than Kansas' \$8K and would like to make a motion to introduce a bill that increases it next year to \$9K and the year after that to \$10K. It was seconded by Senator Schodorf and the motion passed.

2. The second bill she would like to start discussion about is whenever a tax is assessed against a person or a business if you do not pay the tax on time you have penalties and interest that accrue, So she would like to make a motion to introduce a bill that for the next 5 quarters into the first quarter of 2010, an employer can pay 50% of the amount due and defer the payment of the amount due and any interest and penalty, for an additional calendar quarter, with no additional interest or penalty accruing. Also that any deferred amount due for any of those 5 quarters and any interest and penalty attributable, needs to be paid on or after the last day of the month following the March 31, 2011 quarter. It was seconded by Senator Lynn and the motion passed.

A discussion ensued with Senators Brownlee and Wagle and Secretary Garner when Senator Brownlee asked if the Committee needed to put in some type of trigger to be able to review the funds to possibly to allow a change mid-year.

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The Chair recognized Senator Emler who stated the last time Secretary Garner was here, Senator Emler asked him what if we raised the wages and lowered the percent and did he have a chance to put a pencil to that? Answer: It basically comes out to be a wash. Senator Emler said except if you are paying it over a longer period of time shouldn't it be lower in the first quarter? Answer: In order to have a federally compliance system you have to have a maximum rate of 5.4%.

Adjournment

As it was time for the next Committee meeting, the Chair adjourned the meeting. The time was 9:30 a.m.

The next meeting is scheduled for January 27, 2010.

BUSINESS AND LABOR COMMITTEE GUEST LIST
 DATE: 1-26-10

NAME	REPRESENTING
Levi Henry	Sandstone Group
Martin Haurer	Hawweys Capital Reports
Robin Williams	KS Linenbach Assoc
Natalie Haag	Security Benefit
Matt Casey	GBA
Berend Koops	Hein Law Firm
SEAN MILLER	CAPITOL STRATEGIES
Natalie Brylio	KS SHRM
Eric Stoffel	AG of Kansas

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Committee

please continue passing for all to sign.
 Thank you -
 Margaret
 Committee Secretary

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Unemployment Insurance Activity in Kansas

Labor Market Information Services
January, 2010


KANSAS
DEPARTMENT OF LABOR

Senate Business & Labor Committee
Date: January 26, 2010
Attachment 1



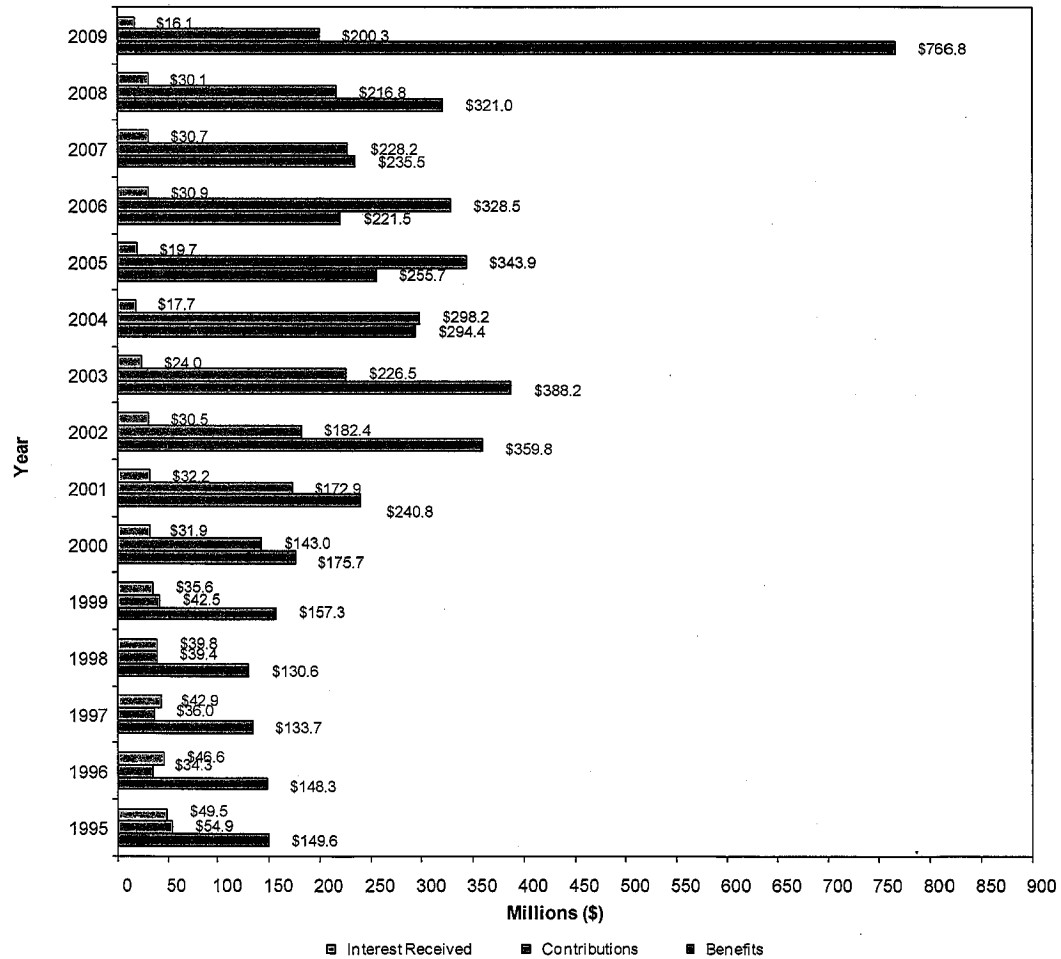
UI Activity in 2009

- There were 298,620 initial claims for UI benefits filed in 2009, as compared to 181,575 from 2008.
- There were 2,366,839 continued claims for UI benefits in 2009, as compared to 1,108,076 from 2008.
- UI benefit payments for which the State of Kansas was liable totaled \$766,771,767 in 2009, as compared to 333,067,814 from 2008.
- The largest amount of benefits paid in one month thus far was \$77,969,752 paid in June of 2009.

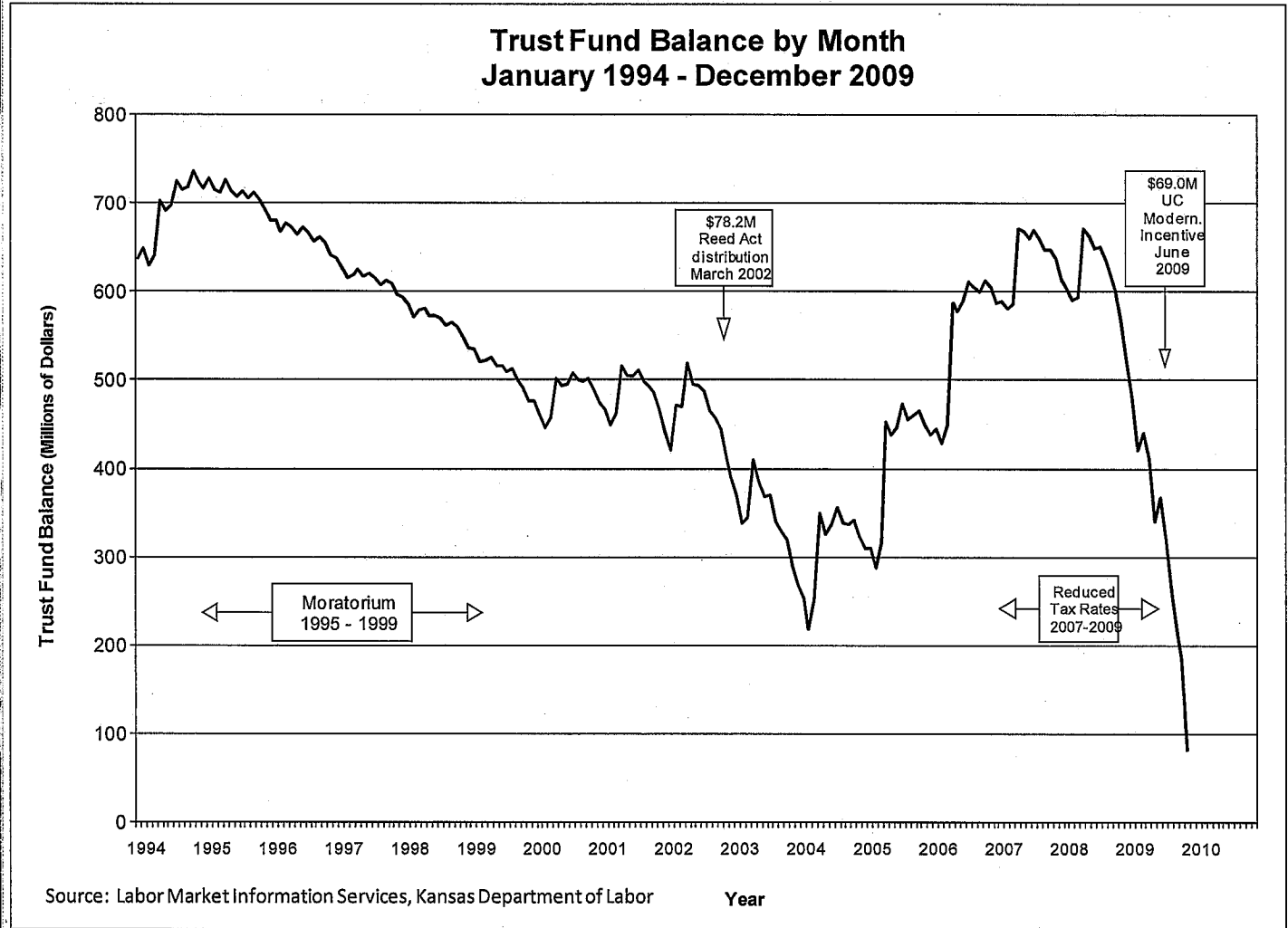
UI Trust Fund Activity

1-3

Benefits, Contributions and Interest Received
CY 1995 - 2009



Trust Fund Balance 1994 - 2009



UI Benefit Appeals

1-5

<u>Lower Level Appeals in 2009</u>		
	<u>Claims Filed</u>	<u>Percent</u>
Decided in Favor of Claimant	6,849	50.8%
Decided in Favor of Employer	6,625	49.2%
Total	13,474	

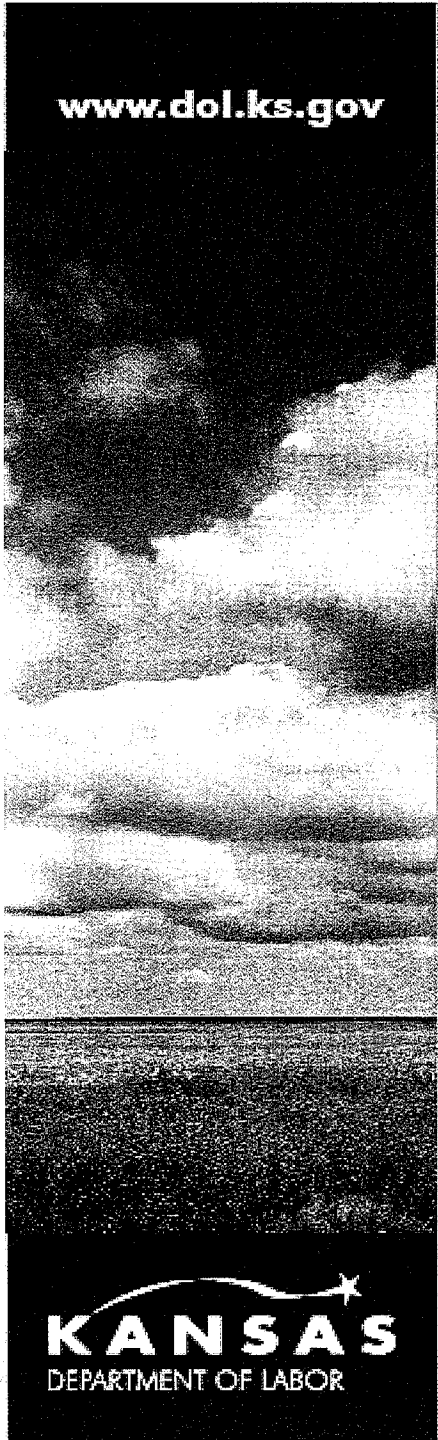
<u>Higher Level Appeals in 2009</u>		
	<u>Claims Filed</u>	<u>Percent</u>
Decided in Favor of Claimant	505	27.4%
Decided in Favor of Employer	1,338	72.6%
Total	1,843	

Legislative Post Audit Report, Limited Scope, March 2005

Conclusion:

“If the dramatic rise in regular unemployment payments in Kansas during the past several years were attributable to the Department of Labor becoming more “employee-friendly,” that shift in philosophy should manifest itself in number of different ways, including a higher number of employer appeals, and a higher percentage of claims and appeals being decided in the employees’ favor. We saw no evidence of this in the statistics the Department has maintained over the years. Instead the data show that more people have become unemployed recently, they have received higher benefits because of the higher salaries they earned while working, and they have tended to be unemployed for a somewhat longer period than in the past.”

Note: The total number of appeals filed in 2004 in the above report were 17,680 (with a 50/50 split)



Notification to Kansas Employers

- With the rapid depletion of the Trust Fund, it became apparent that employers would have to pay more into the Trust Fund to compensate for the increase in benefits paid
- In September, a newsletter was sent to employers notifying them that the reduced tax rates that had been in effect for the previous three years would not be triggered in 2010
- In September, benefit charges were sent to employers. Employers are given 20 days to contest any benefits charged to their accounts



Tax Rate Notification

- After the data from employers' quarterly wage report to the second quarter of 2009 is received and processed, the tax rate calculation process begins
- The tax rate calculation process begins in mid-November
- In December, employers are sent an experience rating notice which details their contributions paid, benefits charged, account balance, taxable payroll, reserve ratio, and tax rate for the upcoming year
- Employers are also given the opportunity to make voluntary contributions to their account which may improve their placement in the array by five rate groups, potentially decreasing their assigned tax rate



Comparison of 2009 & 2010 Tax Rates

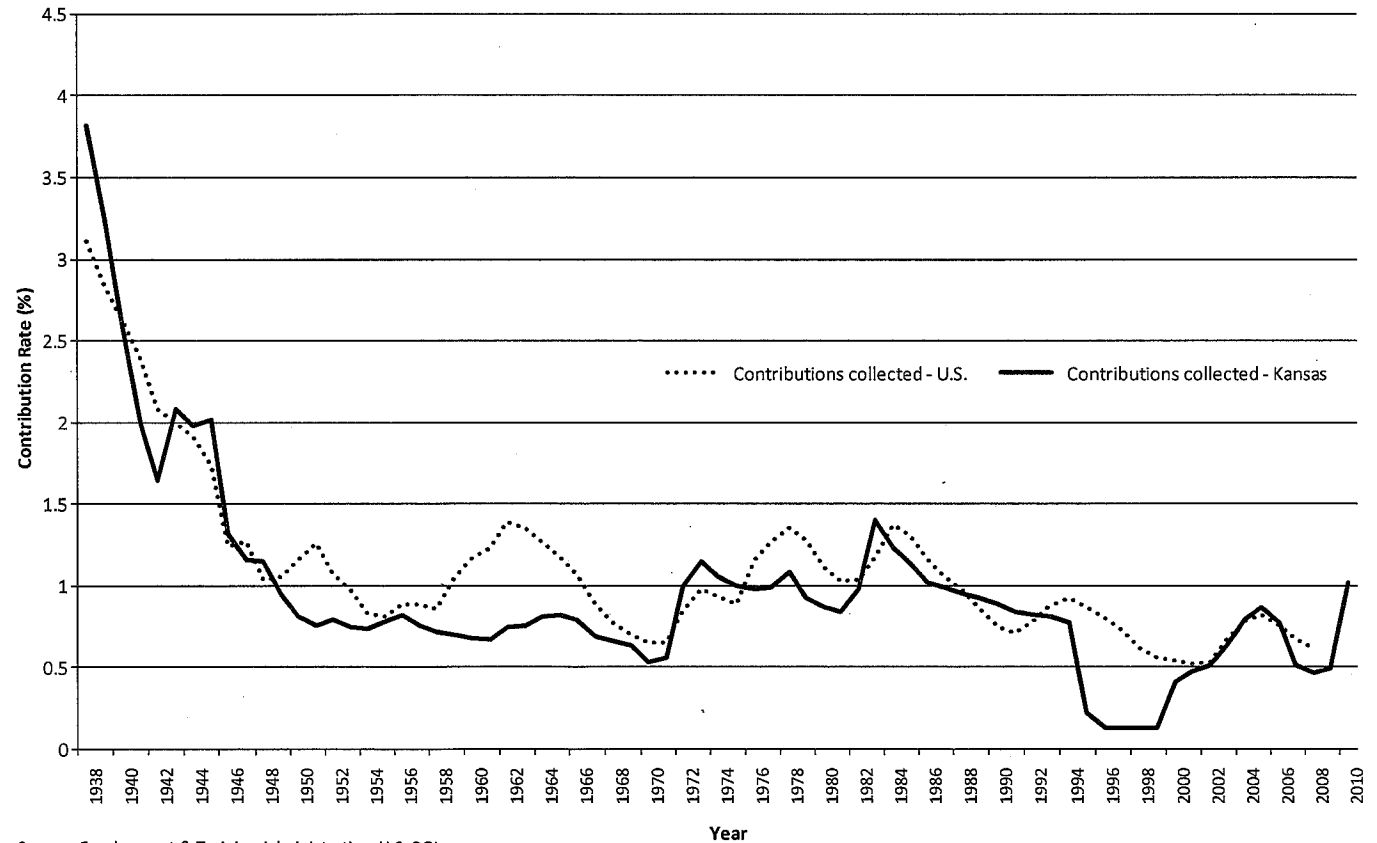
- Average tax rate on taxable wages:
 - 2010 was 4.37%
 - 2009 was 2.02% (with reduced tax rates)
 - 2009 would have been 3.10% (without reduced tax rates)
- Average tax rate on total wages:
 - 2010 was 1.02%
 - 2009 was 0.49% (with reduced tax rates)
 - 2009 would have been 0.75% (without reduced tax rates)
- The required yield from all contributing accounts for 2010 was \$406.9M a 105.1% increase from the 2009 required yield of \$198.4M
- If reduced tax rates had not been in effect, \$304.4 M would have been collected in 2009.



Contributions in Relation to Total Wages

1-9

Contributions as Percent of Total Wages
1938-2008 U.S. & Kansas*



Source: Employment & Training Administration, U.S. DOL
* Kansas data includes 2009 and 2010 rates



Rates for Positive Balance Eligible Employers

RY 2010

	Number of Employers	Employment	Taxable Wages	Contribution Rate	Annual Cost per Per Employee
0.025	3,995	20,837	148,528,850	0.16	\$12.80
0.04	3,234	18,440	148,461,850	0.26	\$20.80
0.08	2,748	19,250	148,498,310	0.51	\$40.80
0.12	2,092	18,211	148,530,646	0.77	\$61.60
0.16	1,914	18,580	149,792,303	1.02	\$81.60
0.20	1,746	21,287	147,335,773	1.28	\$102.40
0.24	2,252	17,879	148,318,322	1.54	\$123.20
0.28	1,702	18,308	148,858,847	1.79	\$143.20
0.32	1,414	18,146	149,840,089	2.05	\$164.00
0.36	1,101	18,778	151,313,817	2.30	\$184.00
0.40	1,149	16,987	144,412,299	2.56	\$204.80
0.44	567	18,300	148,612,838	2.82	\$225.60
0.48	801	17,349	153,583,591	3.07	\$245.60
0.52	869	19,812	170,247,135	3.33	\$266.40
0.56	710	13,731	121,144,902	3.58	\$286.40
0.60	918	21,476	167,971,232	3.84	\$307.20
0.64	927	14,543	129,716,758	4.10	\$328.00
0.68	370	31,990	279,300,606	4.35	\$348.00
0.72	168	2,029	17,697,899	4.61	\$368.80
0.76	964	17,666	148,010,584	4.86	\$388.80
0.80	848	17,816	150,713,781	5.12	\$409.60
0.84	720	18,311	146,160,575	5.38	\$430.40
0.88	1,294	16,809	149,159,748	5.40	\$432.00
0.92	694	16,710	147,840,511	5.40	\$432.00
0.96	590	17,593	152,559,729	5.40	\$432.00
1.00	668	16,980	150,581,983	5.40	\$432.00
1.04	936	16,145	144,034,789	5.40	\$432.00
1.08	639	18,363	148,358,032	5.40	\$432.00
1.12	684	16,532	147,186,969	5.40	\$432.00
1.16	605	16,255	149,051,576	5.40	\$432.00
1.20	711	16,369	155,055,579	5.40	\$432.00
1.24	721	15,396	144,750,875	5.40	\$432.00
1.28	728	16,052	147,102,093	5.40	\$432.00
1.32	1,111	16,204	146,088,151	5.40	\$432.00
1.36	559	15,874	148,718,972	5.40	\$432.00
1.40	621	16,683	159,235,961	5.40	\$432.00
1.44	722	14,723	137,621,515	5.40	\$432.00
1.48	624	15,949	148,450,927	5.40	\$432.00
1.52	550	15,730	148,498,789	5.40	\$432.00
1.56	677	14,901	148,919,679	5.40	\$432.00
1.60	380	14,579	149,063,790	5.40	\$432.00
1.64	574	14,463	147,535,583	5.40	\$432.00
1.68	655	15,897	149,168,016	5.40	\$432.00
1.72	439	15,230	149,207,094	5.40	\$432.00
1.76	502	14,361	147,011,453	5.40	\$432.00
1.80	464	14,368	148,935,637	5.40	\$432.00
1.84	564	14,891	148,130,716	5.40	\$432.00
1.88	573	13,770	148,576,480	5.40	\$432.00
1.92	471	13,423	148,797,393	5.40	\$432.00
1.96	550	14,210	148,684,679	5.40	\$432.00
2.00	2,029	15,392	150,889,857	5.40	\$432.00
	<u>51,544</u>	<u>853,578</u>	<u>7,576,247,563</u>		

Note: Cost is based on an \$8,000 taxable wage base.



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Rates for Positive Balance Eligible Employers

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RY 2009							
	Number of Employers	Employment	Taxable Wages	Original Contribution Rate	Reduced Contribution Rate	Original Annual Cost per Employee	Reduced Annual Cost per Employee
0.025	3,934	20,584	167,721,071	0.07	0.00	\$5.60	\$0.00
0.04	3,327	20,148	167,674,391	0.11	0.00	\$8.80	\$0.00
0.08	2,980	21,537	170,588,527	0.23	0.00	\$18.40	\$0.00
0.12	1,986	19,226	164,883,266	0.34	0.00	\$27.20	\$0.00
0.16	1,740	19,980	167,619,753	0.46	0.00	\$36.80	\$0.00
0.20	1,662	25,468	167,879,192	0.57	0.28	\$45.60	\$22.40
0.24	1,636	22,073	167,719,312	0.69	0.34	\$55.20	\$27.20
0.28	1,715	20,701	167,465,375	0.80	0.40	\$64.00	\$32.00
0.32	1,130	23,524	197,769,311	0.92	0.46	\$73.60	\$36.80
0.36	1,661	23,753	137,575,676	1.03	0.51	\$82.40	\$40.80
0.40	1,248	20,388	167,746,937	1.15	0.57	\$92.00	\$45.60
0.44	1,326	21,843	177,857,541	1.26	0.63	\$100.80	\$50.40
0.48	746	18,350	157,569,793	1.38	0.69	\$110.40	\$55.20
0.52	888	19,939	170,530,285	1.49	0.74	\$119.20	\$59.20
0.56	702	19,137	168,210,746	1.61	0.80	\$128.80	\$64.00
0.60	840	17,740	164,887,073	1.72	0.86	\$137.60	\$68.80
0.64	708	19,407	169,090,070	1.84	0.92	\$147.20	\$73.60
0.68	395	33,342	273,914,348	1.95	0.97	\$156.00	\$77.60
0.72	323	6,887	59,316,847	2.07	1.03	\$165.60	\$82.40
0.76	813	18,277	168,686,045	2.18	1.09	\$174.40	\$87.20
0.80	976	18,649	167,957,872	2.30	1.15	\$184.00	\$92.00
0.84	737	18,021	166,750,893	2.41	1.20	\$192.80	\$96.00
0.88	788	19,945	167,228,474	2.52	1.26	\$201.60	\$100.80
0.92	701	18,676	171,027,788	2.64	1.32	\$211.20	\$105.60
0.96	854	18,291	165,231,697	2.75	1.37	\$220.00	\$109.60
1.00	899	19,028	167,745,471	2.87	1.43	\$229.60	\$114.40
1.04	755	18,851	172,004,150	2.98	1.49	\$238.40	\$119.20
1.08	889	16,057	164,864,982	3.10	1.55	\$248.00	\$124.00
1.12	712	17,913	165,494,358	3.21	1.93	\$256.80	\$154.40
1.16	608	21,184	171,689,377	3.33	2.00	\$266.40	\$160.00
1.20	381	14,413	167,599,380	3.44	2.06	\$275.20	\$164.80
1.24	691	19,198	163,888,427	3.56	2.14	\$284.80	\$171.20
1.28	884	19,603	175,845,671	3.67	2.20	\$293.60	\$176.00
1.32	620	16,617	165,399,200	3.79	2.27	\$303.20	\$181.60
1.36	713	17,707	165,611,866	3.90	2.34	\$312.00	\$187.20
1.40	937	17,050	163,929,483	4.02	2.41	\$321.60	\$192.80
1.44	671	20,322	177,200,677	4.13	2.48	\$330.40	\$198.40
1.48	678	15,617	158,701,562	4.25	2.55	\$340.00	\$204.00
1.52	767	18,024	167,436,904	4.36	2.62	\$348.80	\$209.60
1.56	728	17,444	167,134,625	4.48	2.69	\$358.40	\$215.20
1.60	717	17,163	167,715,886	4.59	2.75	\$367.20	\$220.00
1.64	593	17,234	168,412,942	4.71	2.83	\$376.80	\$226.40
1.68	553	16,767	167,786,398	4.82	2.89	\$385.60	\$231.20
1.72	577	16,461	166,714,181	4.93	2.96	\$394.40	\$236.80
1.76	718	16,086	167,698,123	5.05	3.03	\$404.00	\$242.40
1.80	639	40,220	264,006,584	5.16	3.10	\$412.80	\$248.00
1.84	253	7,143	71,167,404	5.28	3.17	\$422.40	\$253.60
1.88	710	17,262	169,937,729	5.39	3.23	\$431.20	\$258.40
1.92	533	22,258	201,331,153	5.40	3.24	\$432.00	\$259.20
1.96	506	13,377	133,819,474	5.40	3.24	\$432.00	\$259.20
2.00	2,183	18,234	169,052,371	5.40	3.24	\$432.00	\$259.20
	52,731	977,119	8,555,090,661				

Note: Cost is based on an \$8,000 taxable wage base.



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Rates for Negative Balance and Ineligible Employers

Negative Balance Eligible Employers

Negative Reserve Ratio	Surcharge as % of Taxable		Cost per Employee	RY 2010			RY 2009		
	Wages	Tax Rate		Number of			Number of		
				Employers	Employment	Taxable Wages	Employers	Employment	Taxable Wages
Less than 2.0%	0.20%	5.60%	\$ 448.00	608	22,629	232,774,801	453	19,870	196,353,502
2.0% but less than 4.0	0.40	5.80%	\$ 464.00	546	10,864	116,562,550	394	8,266	80,566,921
4.0 but less than 6.0	0.60	6.00%	\$ 480.00	468	21,681	207,817,199	316	5,208	54,483,358
6.0 but less than 8.0	0.80	6.20%	\$ 496.00	397	11,599	126,585,553	290	5,581	46,484,708
8.0 but less than 10.0	1.00	6.40%	\$ 512.00	354	12,499	172,593,634	242	3,357	36,725,870
10.0 but less than 12.0	1.20	6.60%	\$ 528.00	263	3,141	32,570,642	225	3,016	31,950,328
12.0 but less than 14.0	1.40	6.80%	\$ 544.00	255	4,560	49,770,105	174	1,954	21,712,409
14.0 but less than 16.0	1.60	7.00%	\$ 560.00	240	3,385	41,654,947	156	1,852	23,479,192
16.0 but less than 18.0	1.80	7.20%	\$ 576.00	183	2,054	21,451,566	143	1,155	12,034,683
18.0 and over	2.00	7.40%	\$ 592.00	3,056	31,649	344,906,779	2,307	31,657	290,627,759
				<u>6,370</u>	<u>124,061</u>	<u>1,346,687,776</u>	<u>4,700</u>	<u>81,916</u>	<u>794,418,730</u>

Note: Cost per employee is based on the \$8,000 taxable wage base.

Ineligible Employers

Industry	Tax Rate	Cost per Employee	RY 2010			RY 2009		
			Number of Employers	Employment	Taxable Wages	Number of Employers	Employment	Taxable Wages
Construction	6.0%	\$ 480.00	1,161	4,196	41,776,882	1,300	5,176	60,681,494
All Other Industries	4.0%	\$ 320.00	10,016	39,632	284,337,110	10,454	44,047	343,636,088
			<u>11,177</u>	<u>43,828</u>	<u>326,113,992</u>	<u>11,754</u>	<u>49,223</u>	<u>404,317,582</u>

Note: Cost per employee is based on the \$8,000 taxable wage base.



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2010 Tax Rates of Kansas and Border States

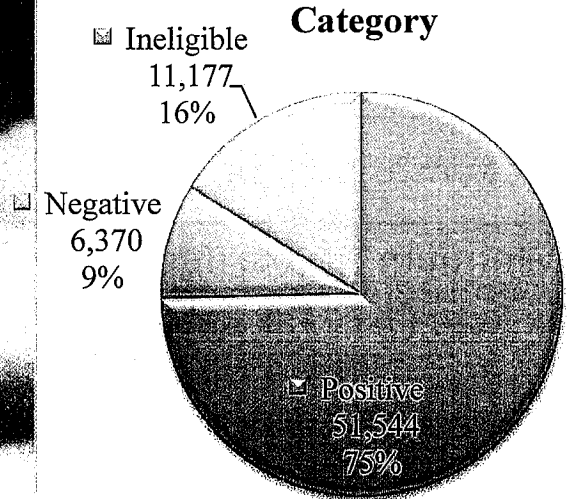
2010 Tax Rates for Kansas and the Surrounding States

<u>State</u>	<u>Minimum Tax Rate (%)</u>	<u>Maximum Tax Rate (%)</u>	<u>Taxable Wage Base</u>
Colorado	0.00	11.02	\$10,000
Kansas	0.16	7.40	\$8,000
Missouri	0.00	9.70	\$13,000
Nebraska	0.00	8.66	\$9,000
Oklahoma	0.10	5.50	\$14,900



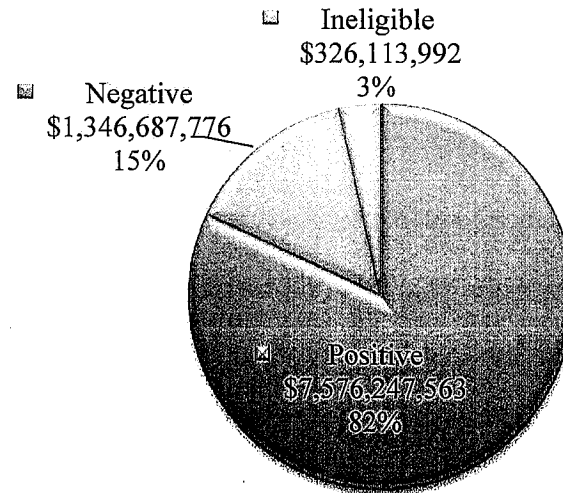
Comparison of Tax Rate Groups

Number of Employers in Each Rate Category



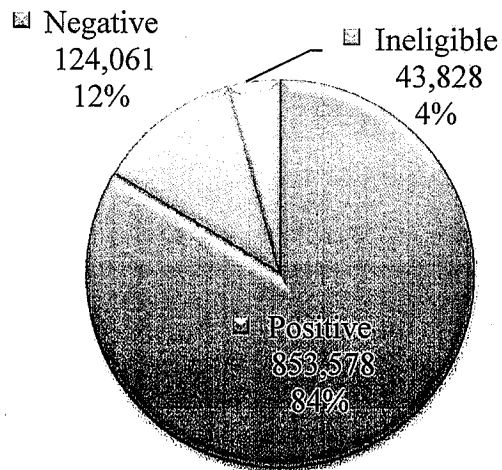
Positive Negative Ineligible

Taxable Wages for each Rate Category



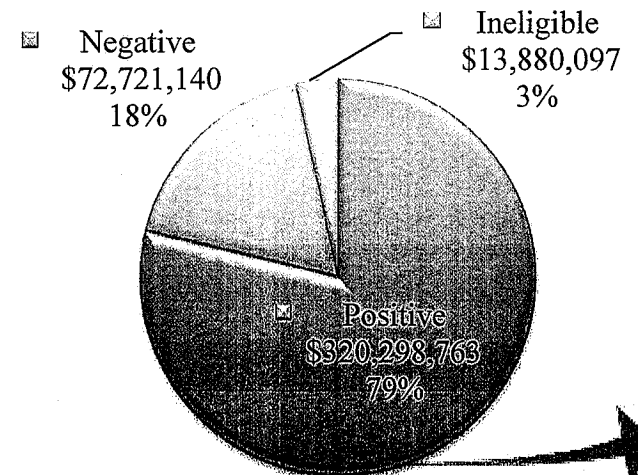
Positive Negative Ineligible

Employment in each Rate Category



Positive Negative Ineligible

Contributions for each Rate Category



Positive Negative Ineligible

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Types of Kansas Employers

- Contributing Employers
 - Assigned a rate at the beginning of each calendar year based on their previous experience with unemployment (along with other factors)
 - Employers pay contributions on the first \$8,000 of wages paid to each employee
- Types of Contributing Employers
 - Ineligible – new employers who do not have 24 consecutive months of chargeability are not eligible for experience rating
 - Positive eligible – employers who are eligible for experience rating who have paid in more money in contributions than the amount of benefits charged against their account
 - Negative eligible – employers who are eligible for experience rating who have had more money charged against their account for benefits than they have paid in contributions



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Types of Kansas Employers

- Reimbursing Employers - K.S.A. 44-710(e)(1)
- Reimbursing payment method is only available to:
 - Certain governmental entities
 - Indian tribes or tribal units
 - Nonprofit organizations
- Reimbursing employers report total wages paid to each employee each quarter, but pay no tax at that time
- Employers reimburse the fund 100 percent the amount of regular benefits and half of the extended benefits paid to their former employees
- Election of the reimbursing payment option must be for a minimum of four complete calendar years. Once the minimum period has been satisfied, employers may change their payment option
- December 31, 2009, Kansas had 713 active reimbursing employers

Types of Kansas Employers

- Rated Governmental – K.S.A. 44-710d(g)
 - Only available to a government entity
 - Reports total wages paid each quarter and pays tax on total wages
 - Payment option must be for a minimum of four complete calendar years
 - New employers are assigned a rate each year until they reach eligibility, generally after 3 years
 - Computation date is March 31st
- State of Kansas Rate – K.S.A. 44-710(e)(2)(H)
 - Alternate version of reimbursing employer
 - The tax rate is derived by dividing the total amount of money that will need to be deposited into the State of Kansas account to satisfy UI benefit charges during the upcoming fiscal year by the estimated total covered wages that will be paid by the State of Kansas during the upcoming Fiscal year
 - Taxes are paid on a quarterly basis



States Borrowing from U.S. DOL

- Many states are having difficulty coping with the increasing demand of UI benefit payments
- Currently 30 of the 53 possible trust funds are borrowing from the U.S. DOL or have filed for advances resulting in \$29.7 billion in loans.
- In comparing Kansas with our border states, Missouri has borrowed the largest sum of money thus far totaling \$527.8 million.
- Kansas is estimated to begin borrowing in February 2010

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Title XII Advance and Repayment Process

- Request funds from U.S. DOL for 3 months at a time with no interest charged during 2010
- State draws money to pay benefits as usual
 - Treasury will transfer all available balances of regular UI funds and then transfer loan funds to total state drawdown request.
 - Money is issued to the borrowing state on a daily basis
 - Only the amount of money (to the nearest \$1,000) needed to satisfy benefit payments for that day is issued


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Reduced FUTA Credits

- Federal Unemployment Tax Act (FUTA) tax credit reduction begin after the second consecutive January of borrowing if the principal of the loan has not been repaid
- Currently Kansas employers get a 5.4% FUTA credit
- Basic Reduction of 0.3% each year after the second year
- Additional reductions may incur after three years
- Additional funds received as a result of the reduction are credited against the principal loan balance



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Interest Payments on Title XII Loans

- Interest accrues on advances on a federal fiscal year basis
- With some exceptions, interest payment is due and payable no later than September 30th
- The American Recovery and Reinvestment Act (ARRA) has allowed Title XII loans to be interest free through 2010. With this provision, Kansas would not be required to pay interest until September 30, 2011
- Interest cannot be paid using standard employer contributions. A separate mechanism must be implemented to generate revenue that is to be used for the payment of interest on Title XII loans


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Interest Payments on Title XII Loans

- The interest rate is the fourth calendar quarter yield on the UTF, for the previous year, capped at 10%

<u>4th Quarter Year</u>	<u>Year Applied</u>	<u>Rate (%)</u>
2009	2010	4.33
2008	2009	4.64
2007	2008	4.81
2006	2007	4.66
2005	2006	4.63



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