

UWC National UI Issues Conference

Recent Kansas UI reforms





Recent Reforms

- 2013- HB 2105
 - Integrity, benefits, eligibility

- 2015- SB 154
 - Tax structure, contribution rates

HB 2105: Unemployment Insurance Contributions

- Reduce new employer rate from 4.0% to 2.7% with the exception of construction
- Reduces the HCM from 1.2 to 1.0
- Phase in taxable wage base increase with \$12,000 in 2015 and \$14,000 in 2016
 - Shift larger portion of employer contributions to negatively balanced employers who have withdrawn greater benefits than they paid
 - KS wage base set at \$8,000 since 1983 and serves as the single most influential variable in creating the compressed, maxed rates for positive balanced employers
 - If no action taken many positively balanced employers will be faced paying maximum rate of 5.4%
- 25% discount for all positive balanced employers
- KDOL will be required to notify employers by November 30th

HB 2105: Unemployment Insurance

- Modify benefit structure to fluctuate with state average unemployment rate:
 - 6.0% or higher: 26 weeks (6 ½ months)
 - 4.5% to 5.99%: 20 weeks (5 months)
 - Under 4.5%: 16 weeks (4 months)
- Makes holiday/vacation pay universally deductible from benefit amount
- Modifies severance pay to make consistent
 - If individual files while receiving severance, benefits reduced by severance amount and can be zeroed out for that week
- Eliminate 26 weeks of additional approved training benefits
- Eliminate an alternative base period allowing individuals who don't have sufficient base period wages to still qualify for UI benefits



HB 2105: Unemployment Insurance

- Narrowly define “good cause” when dealing with disqualification for individuals who leave work voluntarily
- Limit exceptions to disqualification for harassment and violations of the work agreement
- Modernize misconduct disqualification provisions
 - Clarifies violation of work rule is disqualifying conduct
 - Suspension also grounds for disqualification
 - Attendance provisions modified to include employers w/o written attendance policy
- Rework the drug and alcohol provisions to include:
 - Lower standards for testing;
 - Allow for disqualifications for violation of a zero-tolerance policy;
 - Add test tampering to misconduct;
 - Make a discharge for a drug or alcohol offense gross misconduct.



HB 2105: Unemployment Insurance

- Unemployment fraud- lengthen period of disqualification from 1 to 5 years and imposes monetary penalty of 25% of benefits paid (in addition to full repayment of benefits received)
- KDOL levy and lien authority to aid in collection of benefit overpayments
- Appoint special investigators with law enforcement authority



HB 2105: Unemployment Insurance

- Include provision all persons & employers are entitled to neutral interpretation of the employment security law
 - Undoes nearly 60 years of bad case law
- Fix “concurrent” part-time employment loophole that unfairly charges some employers’ accounts for pro-rata share of benefits
- Eliminate Employment Security Advisory Council (ESAC)
- Allow KDOL to lengthen time for appeal in cases where appealing party files an appeal late, but shows excusable neglect for the late appeal

SB 154- Fixed rate system

- In order to build up the trust fund, under the old system, 19 out of 54 positive balance rate groups were capped at the maximum 5.4% rate.
- System was building up what the fund “needed” over taxing employers based on historical usage of the fund.
 - Unpredictable and volatile.
- Chamber led work group to look at a number of states to determine which fixed structure would best fit Kansas.



SB 154- Fixed rate system

- UI tax rates uncompetitive with surrounding states based on company experience rating.
- Nearly impossible to achieve downward mobility.
- Keep fund sustainable while also offering relief to employers was main objective.

SB 154- Fixed rate system

State Comparisons

State	Taxable Wage Base	17.028% Reserve Ratio		5.150% Reserve Ratio	
		Tax Rate	Tax \$ per EE	Tax Rate	Tax \$ per EE
		CA - Fixed (2014)	\$7,000	2.000%	\$140
DC - Fixed (2014)	\$9,000	1.600%	\$144	3.300%	\$297
LA - Fixed (2014)	\$7,700	0.099%	\$8	1.880%	\$145
MO - Fixed (2014)	\$13,000	0.000%	\$0	2.990%	\$389
NM - Fixed (2014)	\$23,400	0.100%	\$23	1.100%	\$257
TN - Fixed (2014)	\$9,000	0.700%	\$63	3.200%	\$288
WV - Fixed (2014)	\$12,000	1.700%	\$204	4.500%	\$540
KS - Arrayed System (2014)	\$8,000	5.400%	\$432	5.400%	\$432
KS - Current Statute: Arrayed System (2015)	\$12,000	4.380%	\$526	5.400%	\$648
KS - Current Statute: Arrayed System (2016)	\$14,000	4.380%	\$613	5.400%	\$756
KS - KS UI Work Group Proposed Fixed (2016)	\$14,000	0.800%	\$112	4.000%	\$560



SB 154- Fixed System

- SB 154 places contribution rates in statute.
- Safeguards put in place to adjust to health of economy, trust fund balance.
 - If trust fund exceeds \$800,000,000, a .5% credit is applied to all positive balance employers. Negative balance employers ineligible for credit.
 - If trust fund falls below \$531 million, surcharges ranging from 1% to 1.6% are applied to statutory rate for all employers, including negative balance.

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Rate Schedules		Trust Fund Balance (2015)		Fund Control Table			KS UI Work Group Fixed System: Contribution Rates & Est. Total Contributions				
		Lower Balance Threshold	Upper Balance Threshold	Lower AHCM Threshold	Upper AHCM Threshold	Solvency Adjustment to Standard Rate (%)	Min. Contribution Rate & Amount per EE		Min. Contribution Rate & Amount per EE		Total Calendar Year Est. Contributions***
<i>Surcharge</i>	1	-\$7,090,777,141	\$141,815,543	-1000.00000%	0.19999%	1.60	1.80%	\$252	9.20%	\$1,288	\$463,679,462
	2	\$141,815,543	\$319,084,971	0.20000%	0.44999%	1.40	1.60%	\$224	9.00%	\$1,260	\$436,874,305
	3	\$319,084,971	\$425,446,628	0.45000%	0.59999%	1.20	1.40%	\$196	8.80%	\$1,232	\$410,069,148
	4	\$425,446,628	\$531,808,286	0.60000%	0.74999%	1.00	1.20%	\$168	8.60%	\$1,204	\$383,263,991
<i>Standard/Neutral</i>	5	\$531,808,286	\$815,439,371	0.75000%	1.14999%	0.00	0.20%	\$28	7.60%	\$1,064	\$249,238,206
<i>Credit</i>	6	\$815,439,371	\$7,090,777,141	1.15000%	1000.00000%	-0.50	0.00%	\$0	7.60%	\$1,064	\$216,744,422

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Standard Rate Schedule:No Solvency Adjustment

Rate Group	StandardTax Rate	\$UTA Taxper EE
1	18.590	1,000,000
2	17.875	18.589
3	17.160	17.874
4	16.445	17.159
5	15.730	16.444
6	15.015	15.729
7	14.300	15.014
8	13.585	14.299
9	12.870	13.584
10	12.155	12.869
11	11.440	12.154
12	10.725	11.439
13	10.010	10.724
14	9.295	10.009
15	8.580	9.294
16	7.865	8.579
17	7.150	7.864
18	6.435	7.149
19	5.720	6.434
20	5.005	5.719
21	4.290	5.004
22	3.575	4.289
23	2.860	3.574
24	2.145	2.859
25	1.430	2.144
26	0.715	1.429
27	0.000	0.714
N1	-0.714	-0.001
N2	-1.429	-0.715
N3	-2.144	-1.430
N4	-2.859	-2.145
N5	-3.574	-2.860
N6	-4.289	-3.575
N7	-5.004	-4.290
N8	-5.719	-5.005
N9	-6.434	-5.720
N10	-7.149	-6.435
N11	-1,000,000	-7.150

Standard Rate Groups & Reserve Ratio (RR) Limits

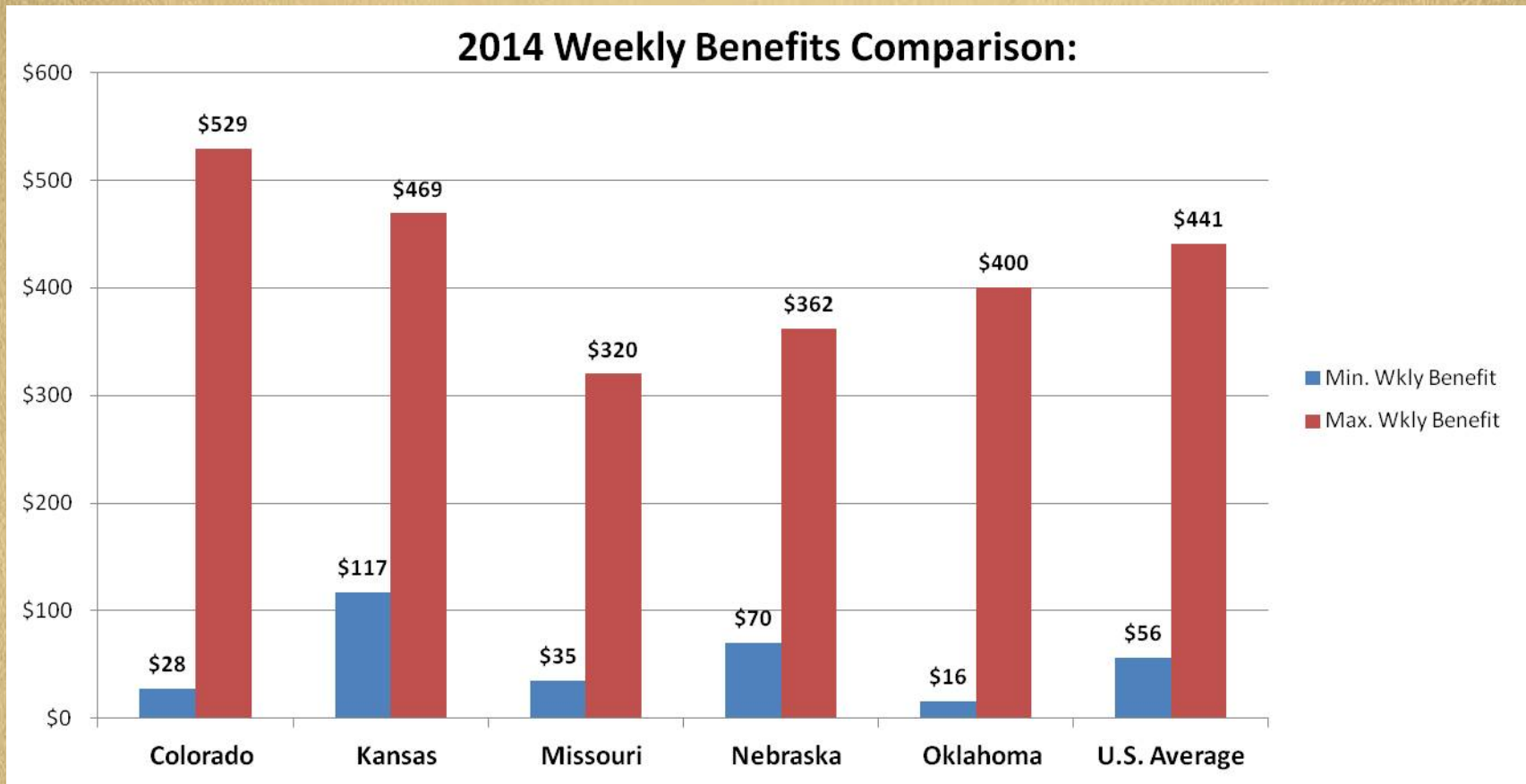
Lower RR Limit	Upper RR Limit
0.20%	\$28
0.40%	\$56
0.60%	\$84
0.80%	\$112
1.00%	\$140
1.20%	\$168
1.40%	\$196
1.60%	\$224
1.80%	\$252
2.00%	\$280
2.20%	\$308
2.40%	\$336
2.60%	\$364
2.80%	\$392
3.00%	\$420
3.20%	\$448
3.40%	\$476
3.60%	\$504
3.80%	\$532
4.00%	\$560
4.20%	\$588
4.40%	\$616
4.60%	\$644
4.80%	\$672
5.00%	\$700
5.20%	\$728
5.40%	\$756
5.60%	\$784
5.80%	\$812
6.00%	\$840
6.20%	\$868
6.40%	\$896
6.60%	\$924
6.80%	\$952
7.00%	\$980
7.20%	\$1,008
7.40%	\$1,036
7.60%	\$1,064



SB 154- Fixed System

- System went from 54 positive balance rate groups down to 27.
 - Contribution rates increase by .2%
- Fixed system offers more predictability for employers.
- For 2016, 70% of positive balance employers fell into rate group 1.
 - Collectively saved over \$100 million for employers.
 - Employers will spread back out through rate table as they experience small tax liability over next three years.

SB 154- Benefit modifications



SB 154- Fixed System

- SB 154 also modifies the Maximum Weekly Benefit Amount. Today, the maximum amount is 60% of the state average weekly wage which equates to \$474/week.
- However, the maximum benefit amount in Kansas was the 9th highest in the nation and higher than all of our surrounding states except Colorado.
- Senate amended bill so that the maximum weekly benefit becomes 55% of the state average weekly wage to get us more in line with our surrounding states.
- However, the amount cannot fall below \$474. So claimants will not see a reduction in their benefits. The language simply slows the growth of benefits over the next few years.