

Expanded & MERIT Rated TF Solvency/Credit Adjustments (Effective CY 2022)

GOAL: Provide a fair and proportional trust fund solvency/credit adjustment to all rated employers.

KDOL estimates the UI Trust Fund will reach a zero balance by March 2021 and the state of Kansas will borrow from the federal government to replenish it.

Current: Repayment of the loan is the sole responsibility of employers and the solvency/credit adjustments (repayment charge) is currently assessed at a flat rate applied equally to all employers. Unfortunately, this disproportionately penalizes best rated employers or those who draw on the fund the least.

Proposal: In lieu of charging a flat rate to all employers instead apply the MERIT based principles to the solvency/credit adjustments. Currently, employers' annual rates are set based on their "use of" the trust fund which is their experience rating. By applying these same principals to the solvency/credit charge employers the responsibility of the loan repayment is more evenly spread out and avoids disproportionately penalizing employers who use the fund the least.

Replace the **Current Fund Control Table** in K.S.A. 44-710a:

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%

With the **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%

Additionally, each of the corresponding Static KS SUTA Rate Tables should be published in K.S.A. 44-710a as well as on the KDOL website landing page for employer tax rates: <https://www.dol.ks.gov/employers/tax-rates/2021-tax-rates>.

Shared Work Program Enhancements

GOAL: *Expand and enhance the Shared Work (Short-Term) Compensation Program.*

Consideration 1

Current: At least **20%** but not more than **40%** weekly hours reduction

Proposal: At least **10%** but not more than **50%** weekly hours reduction during a negative business cycle, recession, pandemic, etc.

Consideration 2

Current: Negative balanced, delinquent, governmental and reimbursing employers not eligible; 2020 COVID Pandemic – Governor Kelly’s E.O. temporarily allows negative rated employers to participate

Proposal: Allow negative rated employers to participate in the program for 1 year during any 5 year period of time within 12 months of the U.S. economy entering a recession (Recession Definition: Significant decline in economic activity for 2 consecutive Qtrs. w/ GDP decline)

Example:

- 2020 U.S. Recession - Start Date = **02/01/20**
- Negative Rated KS ER Work Share Program application date deadline: **1/30/21**

Consideration 3

Current: Defined number of weeks available per year for employer

Proposal: **No limit on the # of weeks per year, but limit the total paid out:**

- Not to exceed 26 x Weekly Benefit Amount
- Limited to the claim balance per claimant’s Weekly Benefit Amount x Max Eligible Weeks based on current State UI Rate

Consideration 4

Current: Employers manually complete and scan in Weekly Certifications to process applications

Proposal: **Convert the Employer Weekly Certification process from paper process to an electronic certification submission**

Consideration 5

Current: Additional and better marketing/promotion of the program to the Employer Community

Proposal: **Annual educational campaign for employers in partnership with employer advocacy groups**

Claimant Fraud Provisions Relating to Employer Chargeability

GOAL: *Provide immediate economic relief for employers upon any claimant fraud determination.*

Current:

- Employer receives chargeability credits as/when Claimant pays fraud dollars back
- Single-level offense approach:
 - Misdemeanor if <\$500; felony if \$500 or more, *AND*
 - Administrative monetary penalty of 25% of benefits fraudulently obtained, *AND*
 - 5 year disqualification

Proposed:

- **Employer receives full chargeability credits IMMEDIATELY upon fraud determination**
- Single-level offense approach:
 - Misdemeanor if <\$500; felony if \$500 or more, *AND*
 - Administrative monetary penalty of 25% of benefits fraudulently obtained, *AND*
 - 5 year disqualification

Duration of Benefits – Realignment w/ 5.0% Full Employment Threshold

GOAL: *Better align state unemployment rate triggers with the national economic UI standard.*

K.S.A. 44-705 (j) – At beginning of claimants benefit year; 3 month seasonally adjusted average unemployment rate for Kansas

Current:

- 1) Less than **4.5%** = 16 weeks
- 2) **4.5%** but less than 6% = 20 weeks
- 3) at least 6.0% = 26 weeks

Proposed:

- 1) Less than ***5.0%** = 16 weeks
- 2) ***5.0%** but less than 6% = 20 weeks
- 3) at least 6.0% = 26 weeks

*Note: The Federal Reserve considers a base unemployment rate (U-3 rate) of **5.0% – 5.2%** as "**full employment**" in the economy.*

KS UI – IT Modernization with Legislative AND Business Oversight

GOAL: *Better align state unemployment rate triggers with the national economic UI standard.*

States rely heavily on Information Technology (IT) to accomplish their basic mission of collecting state UI taxes, processing UI claims and paying benefits. The UI IT systems for Kansas was developed in the 1970s and is still in use today. There is an **urgent need** to modernize our system with continuity and appropriate oversight.

Phase 1: Planning/Analyzing Stage (2021)

- Set a realistic timetable to avoid rushing implementation
- Recruit talented agency staff in modernization effort and get their buy-in every step of way
- Gather requirements and identify key conditions up front in an RFP
 - Agency requirements and ask customers (both employers and claimants) for feature and benefit request
- Be willing to revamp the agency's business processes along with the technology
- Analyze data architecture

Phase 2: Design Stage (2021–2022)

- **Get user feedback from a broad range of stakeholders**
 - **Employers – end user and responsible for 100% of the contributions**
 - **Claimants – end user and recipient of benefit payments**
- Allow plenty of time for agency staff to assess
- Build in a set of key features to help customers and reduce the burden on agency staff

Phase 3: Implementation Stage (2023)

- Avoid going “live” in high claims season (November–March period)
- Consider rolling out pieces of a new system in stages
- Provide training and support staff on an ongoing basis
- Staff up call centers and deploying additional staff to workforce centers
- Develop a robust community engagement plan
- Expect bugs and have a process in place to fix them
- Provide for ongoing feedback from customers and front-line staff

Phase 3A: UI Tax & Benefits Modernization (2023)

- Database Management / Migration
- Claimant Portal
- Employer Portal
- UI Tax System
- UI Benefits System

Phase ∞: Ongoing Maintenance & Modernization (2024+)

- Systematic auditing of the UI IT system
 - Modernization is not a one-time endeavor, but rather an ongoing process