

Approved: 2/15/10

Date

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Steve Brunk at 9:05 a.m. on January 26, 2010, in Room 784 of the Docking State Office Building.

All members were present.

Committee staff present:

Rena Jefferies, Office of the Revisor of Statutes
Jerry Donaldson, Kansas Legislative Research Department
Dennis Hodgins, Kansas Legislative Research Department
Stephen Bainum, Committee Assistant

Conferees appearing before the Committee:

Rachelle Colombo, Senior Director of Legislative Affairs, The Kansas Chamber
Andy Sanchez, Executive Secretary-Treasurer, Kansas AFL-CIO
Jim Garner, Secretary, Department of Labor

Others attending:

See attached list.

The Chairman asked if there were any bill introductions. Representative Louis Ruiz introduced a bill to limit the use of cell phones while driving. Representative Grange introduced a bill on inspections for lead based paint and proposed rules and regulations from the Kansas Department of Health and Environment. Representative Jack introduced a bill for a business tax credit for the difference between the rates on the 2010 Adjusted Insurance chart and what they would have paid on the 2010 original chart. Representative Suellentrop introduced a bill to establish an individual unemployment account. The bills were accepted without objection.

Rachelle Colombo and Andy Sanchez, members of the Kansas Employment Security Advisory Council appeared to give a report on the Council's activity (Attachment 1). Secretary Garner appointed a subcommittee charged with forming legislative recommendations for returning the UI Trust Fund to solvency. The subcommittee met four times between September and November to determine which factors would be studied for inclusion in a recommendation. The subcommittee made four recommendations to the full council:

- Mechanisms for levying a surcharge in addition to regular UC tax payments.
- Increasing the taxable wage base.
- Expanding groups for negative balanced employers.
- Freezing the cap on benefits for maximum weekly allowable benefit payments.

The full council has not yet acted upon the subcommittee recommendations and is currently working to fine tune these recommendations.

Representative Suellentrop asked about the selection process for appointment to the Advisory Council. Rachelle replied that the Kansas AFL-CIO and the Kansas Chamber of Commerce are each allowed to recommend the appointment of one member to the council. The rest are at the discretion of the Secretary of Labor and are supposed to represent equal parts of business, labor and the public sector.

The chairman said that it looked like the projections to build the Fund up are based on a worst case scenario, similar to a 100 year flood. It seems that the projections are based on the last three quarters when the Fund was drawn down by claims during the worst unemployment in Kansas. Has there been any discussion about modifying that? Rachelle replied that the loan was not intended to make the Fund solvent. The loan amounts are based on the amount of money that is paid out. The \$750 million that was mentioned was based on projections of Unemployment benefits paid out. The chairman asked if there was any discussion of any other method of getting money into the Fund other than borrowing? There have been discussions of other methods. Some states have chosen not to borrow. However it is up to the Secretary of Labor to initiate a loan from the Treasury.

CONTINUATION SHEET

Minutes of the House Commerce and Labor Committee at 9:05 a.m. on January 26, 2010, in Room 784 of the Docking State Office Building.

Representative Grant asked how much interest was earned on the money in the Fund and if there was going to be more stimulus money for Unemployment Benefits. Rachelle replied that she did not know the amount of interest that had been paid on the Fund and that it was reasonable with 25 states borrowing from the Federal government and another 14 will do so soon that some adjustments may be made when the majority of states are borrowing from the government. However we have to work to return the Fund to solvency without assuming that changes will be implemented.

Representative Quigley asked if the loans from the Federal government were made on an ongoing basis as the funds were needed. The answer was yes, they only transfer the amount that is needed.

The Chairman asked if the subcommittee had taken into consideration the dramatic increases in UI taxes to employers that have taken place this year. Andy said that had been brought up this year. Another subject that has been brought up is the employers that have seen their rates double this year. Rachelle said that there were three considerations being studied. The fact that the Fund is depleted, there is a debt that will have to be repaid with interest and then there is the third aspect which is the pressure the employers are feeling right now. The subcommittee and the Council are focusing on problems one and two. In the last meeting they were aware that current statute has created a new hurdle but they have not spent any time suggesting changes for that aspect of the problem.

The Chairman asked for an explanation of the caps on benefits. Andy said it was on the maximum benefits earned so that their allowable benefit going forward would not increase.

Representative Worley asked how the states that were not borrowing money were addressing the issue. Rachelle said they were using taxes and bonding. That is one of the things the Council is gathering more information on.

Representative Bowers asked what the \$420 maximum weekly benefit would be if expressed in an amount per hour. There was no clear answer to the question.

Representative Grant asked who sets the average wage. Rachelle said that she believes it is set out in statute. That is a question for the Secretary.

Representative Bowers asked how many weeks of Unemployment Benefits are paid. The answer was 86 weeks.

Jim Garner, Secretary, Department of Labor gave the committee a printout of a PowerPoint presentation (Attachment 2). The activity in the fund for 2009 was much greater than 2008. UI benefits paid in 2008 were \$333 million compared to \$766 million in 2009. With the rapid depletion of the Trust Fund employers were notified that the reduced tax rates that had been in effect would not be triggered in 2010. In December, employers are notified of their tax rate for the following year.

Representative Pottorff asked how early in the year you realized there was going to be a problem. Secretary Garner said it was August because it is based on the balance in the Trust Fund on July 31st. That's when we knew that the previous tax rates would be triggered.

The Chairman commented that we knew last March that the Fund was going to drop below the 1.2 requirement based on what was happening last March and we had talked about giving notification to businesses that it is coming. Was anything done earlier than that? Secretary Garner said that he spoke to area employer groups and told them what we were expecting.

Representative Schwab asked a question about the fairness of the tax rate increase. We have to make sure the increase in the tax rates are fair to everyone. Secretary Garner said that they do not use a backfill approach. The rate increase is spread across the rate groups.

Representative Ruiz asked what the time frame was for the payout. Secretary Garner said it was January 1 to December 31st.

CONTINUATION SHEET

Minutes of the House Commerce and Labor Committee at 9:05 a.m. on January 26, 2010, in Room 784 of the Docking State Office Building.

Representative Jack said that the largest employer in his district was USD 385. Some of the school districts seem to have rate increases unfairly even tho they have not laid anyone off. Secretary Garner said that he could not discuss private records in a public forum but he would be glad to check the records and visit with you about them. Also they can apply to be reimbursing employers. Of the 70,000 employers in Kansas 713 are reimbursing employers. Many school districts use that method.

Representative Schwab compared what banks were paying last year per employee to what they are paying this year. It went from \$96 to \$430 per employee. So if I had 100 employees the tax would go from \$9,600 to \$43,000. My concern is that an employee will be laid off to pay the \$43,000. It's like a catch 22. That's what the employers are facing. How are they going to pay the \$43,000.

Secretary Garner said the contributing factors are, a return to the standard rate so that the 100 %, 50 % and 40% reductions are not in effect plus the reduction in the Trust Fund requiring more money to be raised than was raised last year.

Representative Suellentrop asked if Kansas was a rated governmental employer. There is a particular statute that deals with Kansas as an employer. It is rated by looking at the last five years of employment. It is .16 of total wages paid.

Representative Quigley asked if it was common for other states to reduce UI taxes when the Trust Fund is built up. Secretary Garner said that he would have to get that information. He said that there was a change in philosophy in past years when we could build up the Trust Fund as high as possible to a philosophy of just building it up enough to get by. Some states did that, some did not.

The next meeting is scheduled for January 27, 2010.

The meeting was adjourned at 10:30 a.m.

COMMERCE & LABOR COMMITTEE

DATE: 1-26-10

NAME	REPRESENTING
TED HENRY	CAPITOL STRATEGIES
MIKE REEWT	GACINE'S BRADEN
Sara Freeman	Intern to John Grange
Duy Pham	Rep. Ruiz intern
Wigh Keek	Hein Law firm
Andy Sanchez	KS AFL-CIO
Rachelle Colombo	KS Chamber
Jim Macy	Spirit AeroSystems
Kelli Kirkwood	KLA
Megan Bottenberg	KDOL
Jim Garner	KDOL
Judy Macy	KDOL
Joe Vining	KDOL
Bob Lierz	KDOL

Employment Security Advisory Council Report
January 26, 2010

Employment Security Advisory Council (ESAC)

The Employment Security Advisory council is appointed pursuant to Kansas Statute 44-714 (d). The Secretary of Labor appoints an equal number of employer representatives and employee representatives who may fairly be regarded as representative because of their vocation, employment, or affiliations, and of such members representing the general public as the secretary may designate.

The council is currently comprised of twelve members: four representing the public at large, four from business and four on behalf of labor. The council attempts to meet monthly during the legislative session and quarterly thereafter or as deemed necessary by the Secretary of Labor. The council monitors the security and performance of the employment security trust fund with regard to frequency of claims and the impact on the fund as well as legislation directly pertaining to employment security law. The council reviews proposed legislation impacting employment security law and votes to determine their recommendation on legislative action.

When it became apparent that the trust fund was rapidly depleting, Secretary Garner appointed a subcommittee charged with forming a legislative recommendation for returning the fund to solvency. The subcommittee met four times between September and November (September 3rd, Oct 1st, Oct 20th and November 12th) to determine which factors would be studied for inclusion in a recommendation.

The full council then met twice in December and once in January (Dec 1st, Dec 17th, January 14th) to consider the work of the subcommittee.

Subcommittee recommendations:

The subcommittee agreed to work towards a goal of returning the fund to solvency as soon as possible with a combination of changes to the contribution and benefit structure. The subcommittee also determined to look at possible methods of levying the federally required surcharge necessary to repay the interest on impending US Treasury loans.

The subcommittee requested information on four changes for consideration of the full ESAC:

- Mechanisms for levying a surcharge in addition to regular UC tax payments
- Increasing the taxable wage base
- Expanding groups for negative balanced employers
- Freezing the cap on benefits for maximum weekly allowable benefit payments

The full council has not yet acted upon the subcommittee recommendations and is currently working to fine tune these recommendation in light of recent tax notifications and the impact on contributing parties. The council was scheduled to meet today but was cancelled for lack of a quorum and has not yet been rescheduled.

ATTACHED: ESAC Members, Projections reflecting impact of proposed changes

House Commerce & Labor
Date: 1-26-10
Attachment # 1

Kansas Employment Security Advisory Council

(Revised November 19, 2009)

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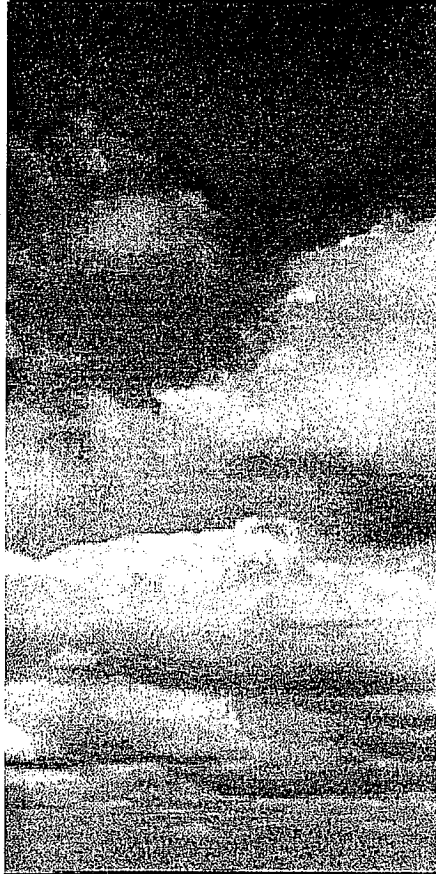
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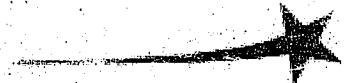



DEPARTMENT OF LABOR

Unemployment Insurance Activity in Kansas

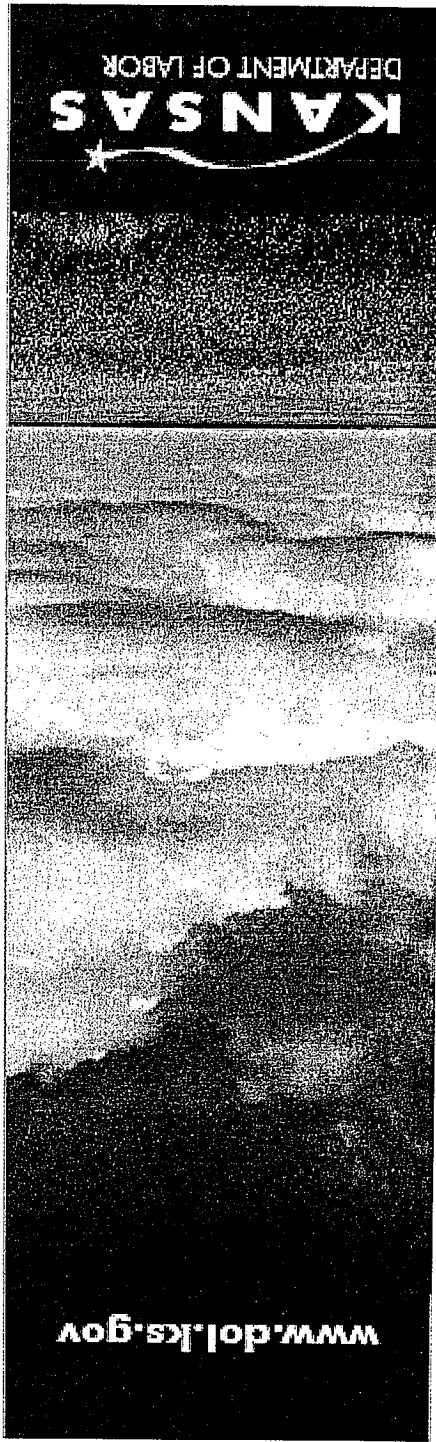
Labor Market Information Services
January, 2010

House Commerce & Labor
Date: 1-26-10
Attachment # 2



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.



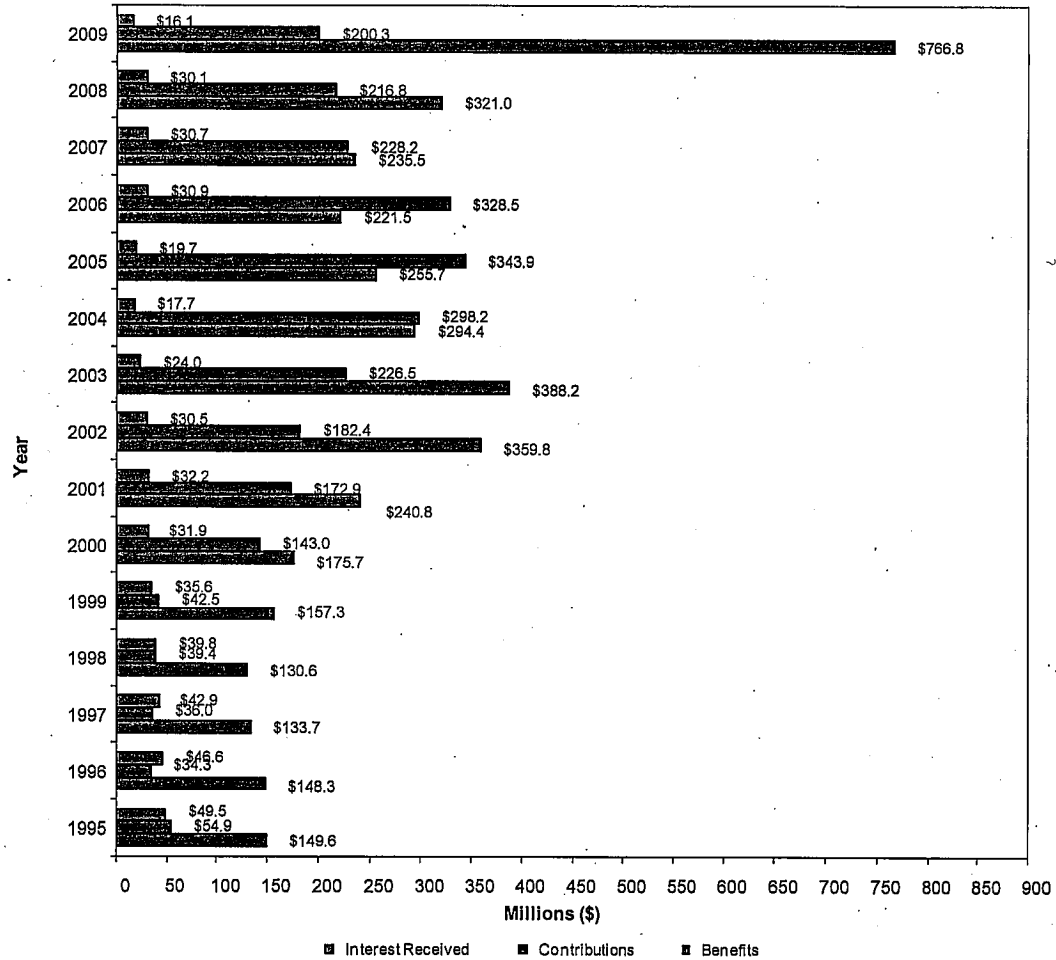
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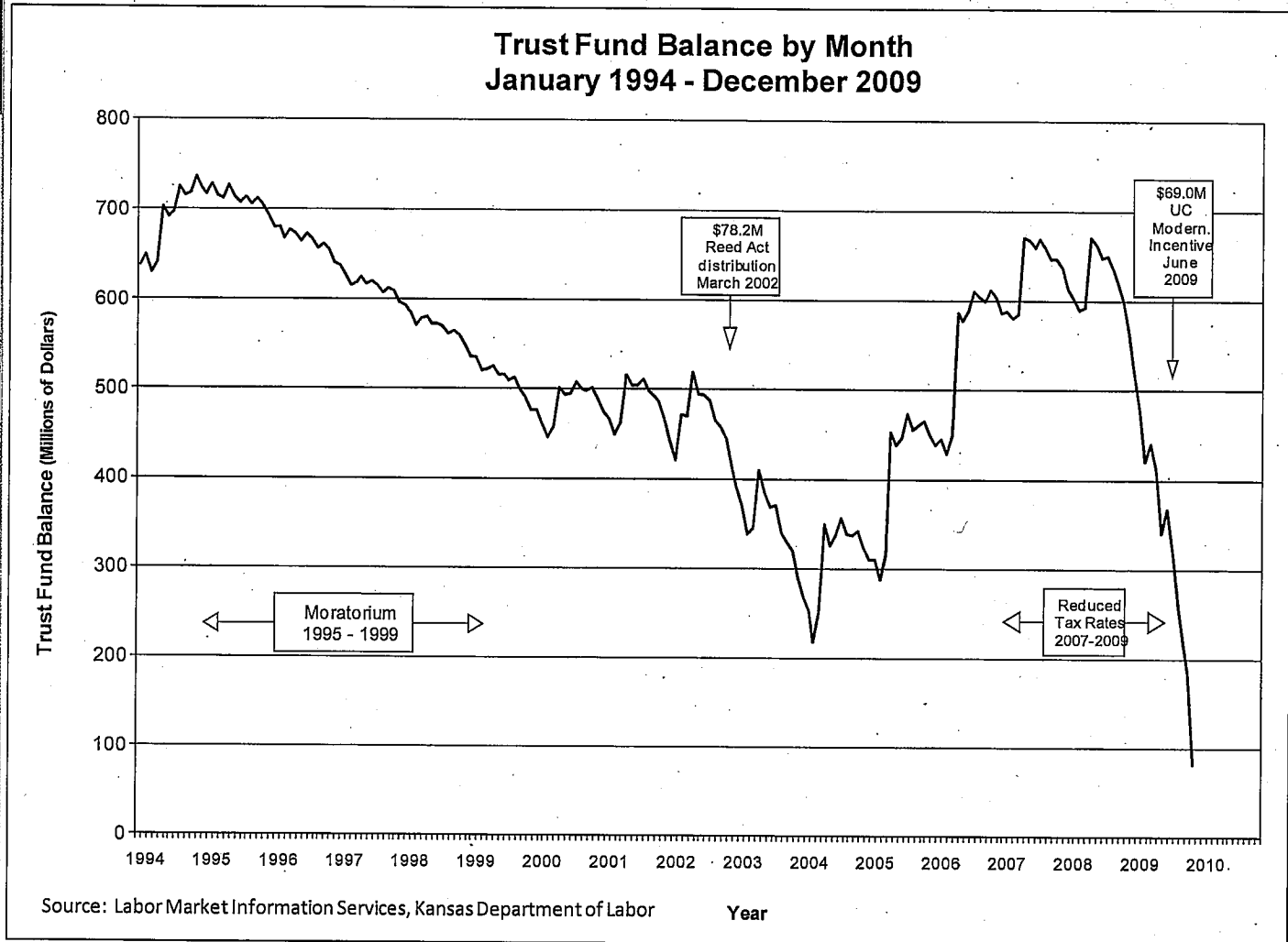
UI Trust Fund Activity

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Benefits, Contributions and Interest Received
CY 1995 - 2009



Trust Fund Balance 1994 - 2009



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UI Benefit Appeals

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<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)

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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

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Tax Rate Notification

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- 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



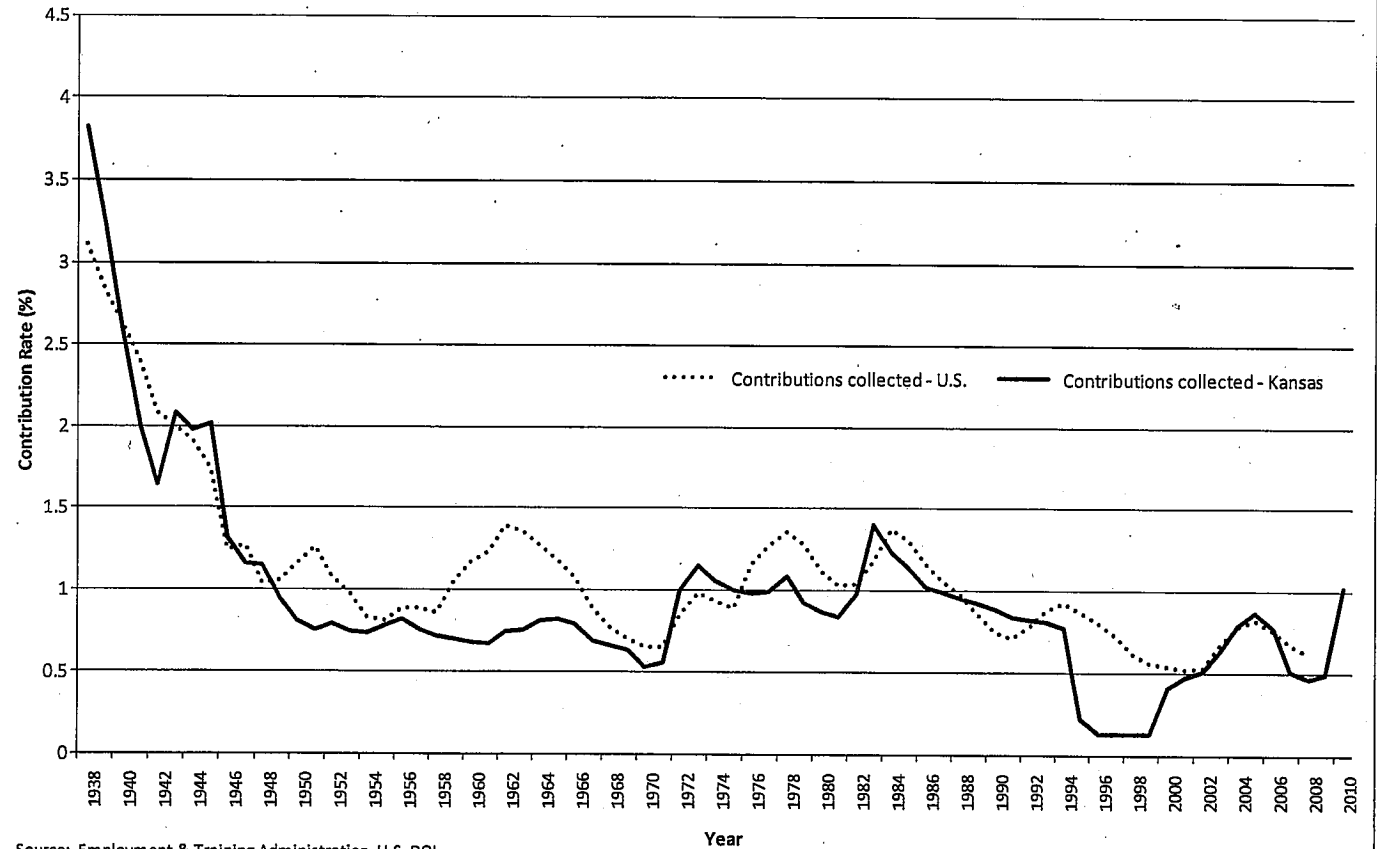
Comparison of 2009 & 2010 Tax Rates

- 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

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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

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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	153,683,591	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	148,498,769	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	148,664,679	5.40	\$432.00
2.00	2,029	15,392	150,889,857	5.40	\$432.00
	51,544	853,578	7,576,247,563		

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

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DEPARTMENT OF LABOR

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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 Wages	Tax Rate	Cost per Employee	RY 2010			RY 2009		
				Number of Employers	Employment	Taxable Wages	Number of Employers	Employment	Taxable Wages
				Less than 2.0%	0.20%	5.60%	\$ 448.00	608	22,629
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
				6,370	124,061	1,346,687,776	4,700	81,916	794,418,730

Note: Cost per employee is based on the \$6,000 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
			11,177	43,828	326,113,992	11,754	49,223	404,317,582

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

2010 Tax Rates of Kansas and Border States

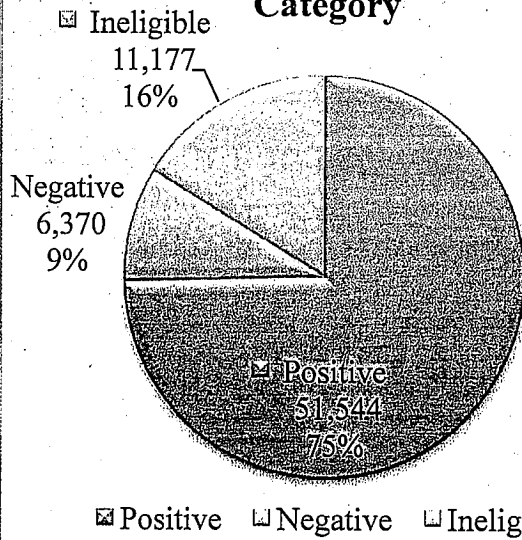
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2010 Tax Rates for Kansas and the Surrounding States

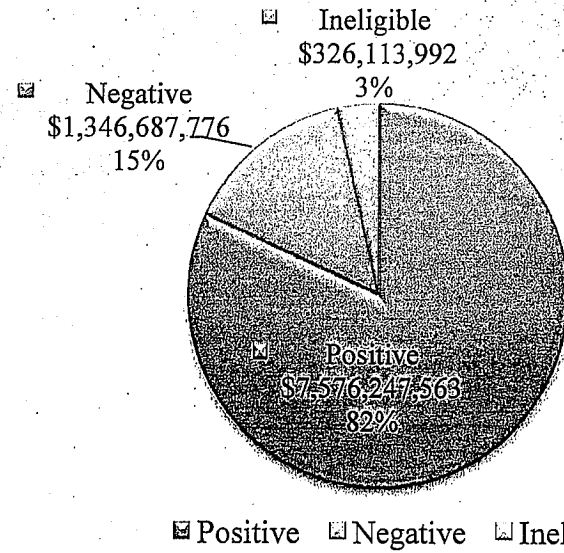
<u>State</u>	<u>Minimum Tax Rate (%)</u>	<u>Maximum Tax Rate (%)</u>	<u>Taxable Wage Base</u>
Colorado	0.00	11.02	\$10,000
Kansas	0.16	7.40	\$8,000
Missouri	0.00	9.70	\$13,000
Nebraska	0.00	8.66	\$9,000
Oklahoma	0.10	5.50	\$14,900

Comparison of Tax Rate Groups

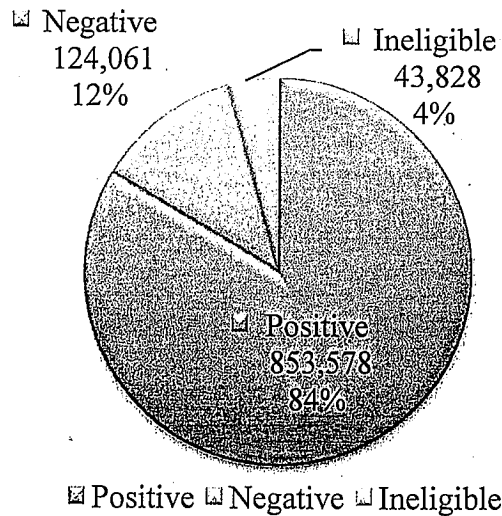
Number of Employers in Each Rate Category



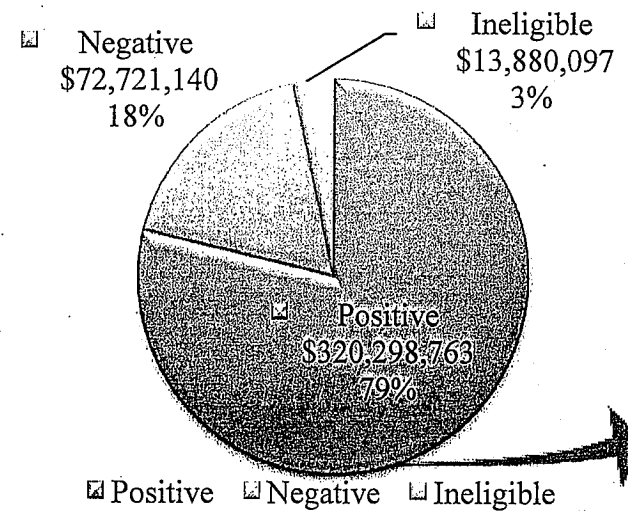
Taxable Wages for each Rate Category



Employment in each Rate Category



Contributions for each Rate Category




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Types of Kansas Employers

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- 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

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- 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


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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

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- 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

Interest Payments on Title XII Loans

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- 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

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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