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Laura Kelly, Governor

February 14, 2024

The Honorable Renee Erickson, Chairperson
Senate Committee on Commerce
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Senator Erickson:

SUBJECT: Fiscal Note for SB 478 by Senate Committee on Commerce

In accordance with KSA 75-3715a, the following fiscal note concerning SB 478 is respectfully submitted to your committee.

SB 478 would amend the Kansas Employment Security Law, making several changes, including updates to definitions, new definitions, and deletion of provisions no longer applicable. The bill would state that the benefit year for unemployment benefits would begin on Sunday of the first week, rather than the first day of the first week. The bill would also change the required rate notices for employer taxes from annually to quarterly and would remove the exemption for benefit charges less than $100. The mid-year combination of tax rates when a business acquires another business would be moved to the year following the acquisition.

Employers would be required to file wage reports electronically when there are 25 or more employees, currently this is only required when there are 50 or more. In addition, the bill would change the calculation for average weekly wages and the maximum weekly benefit. In calendar year 2026, the taxable wage base of $14,000 would be increased by 30.0 percent and would continue to increase annually to a maximum 60.0 percent in 2032. The bill would also increase the unemployment tax liability for negative balance employers and decrease the unemployment tax liability for positive balance employers during the same timeframe based on the statewide average annual wage.

SB 478 would make new definitions for statewide average weekly and annual wages and would revise the calculation. The Secretary of Labor would be required to develop an audit process for unemployment claimants to be audited for activities related to the work search requirement or my reemployment plan. The audit process would be integrated into the modernized unemployment technology system. The Secretary would also be required to include notices to all active employers regarding work search noncompliance reporting options in the annual summary of benefit charges and in rate notices to employers. The Secretary would be required to post additional unemployment calculations and data on the Kansas Department of Labor's website.

The bill would specify that the Legislative Coordinating Council has the authority to retroactively extend the new unemployment insurance information technology system's implementation date and as often as deemed appropriate by the Council. The Secretary would be required to notify the Council of the need for an extension. The bill would also establish minimum qualifications for qualified candidates for appointment to the Employment Security Board of Review. The Secretary would be required to prepare and publish contribution rates for employers each calendar year no less than 120 days prior to the end of that calendar year. The Kansas Department of Labor would be required to review benefit claims at the time a claim is made and determine if the claimant is eligible for any federal unemployment benefits and suspend state unemployment payments in lieu of federal benefits paid if that claimant was eligible. The bill would also add a definition for "temporary unemployment" and standardize the allowable weeks of temporary unemployment to four weeks, although the Secretary would be allowed to extend temporary unemployment on a case-by-case basis for certain industries. Additional reporting on shared work requests and temporary weeks requested by employers would be required.

Estimated State Fiscal Effect			
	FY 2024	FY 2025	FY 2026
Expenditures			
State General Fund	--	$3,543,121	$1,320,121
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Expenditures	--	$3,543,121	$1,320,121
Revenues			
State General Fund	--	--	--
Fee Fund(s)	--	--	--
Federal Fund	--	--	--
Total Revenues	--	--	--
FTE Positions	--	18.00	18.00

According to the Kansas Department of Labor, enactment of SB 478 could require new State General Fund appropriations of approximately $3.5 million in FY 2025 and $1.3 million in FY 2026, as well as an additional 18.00 FTE positions. The break-down of costs are described below, other than the staff expenditures, all estimates for programing and system implementation would be one-time expenditures. The agency would need to increase staffing to create the audit process required by the bill and carry out the workload plus any additional requirements developed to incorporate the process into the new unemployment insurance (UI) system. The estimate for system configuration is $449,000. The agency is estimating 10.00 additional FTEs with salaries and benefits of $526,795 annually and overhead costs totaling $158,040. Implementing the suspension of state program benefits in lieu of federal program benefits would require a system development estimated at $200,000. Adding reporting options to the modernized UI system would require additional system developments. Based on the requirements available, the high-level estimate to implement this solution is $449,000. Further automation to process email from employers using robotic process automation technology is estimated to be an additional $140,000. An additional 1.00 FTE position is anticipated as staff time would be needed to prepare, review, and reconcile reports. The salary for this position with benefits is estimated at $78,351 annually with overhead costs of $23,505. Extending temporary unemployment on a case-by-case basis would require additional reviews and the agency estimates this provision would require 7.00 additional FTE positions with salaries and benefits estimated at $410,330 annually and overhead costs of $123,100 annually. This would also have an impact on the Unemployment Trust Fund by reducing benefits paid, although the total impact is unable to be estimated at this time. The estimate for system required enhancements to implement this program is $475,000 and additional reporting requirements is estimated to cost $510,000.

The agency reports that setting the benefit year to start on a Sunday, is anticipated that it would save the agency time, effort, and money by eliminating the need for additional customized programming in the new UI system. Changing employer rate calculations from annual to quarterly, as well as changing the rules following an acquisition would also save additional customization of the modernized UI system. While the changes would save money, the agency is not anticipating any related expenditures based on a change in statute to allow for the new UI system to not require customization. Increasing the taxable wage base would increase contributions to the Unemployment Trust Fund. However, adjusting the tax tables so negative employers pay more, while positive employers pay less unemployment tax is expected to offset increased contributions to the trust fund, essentially having a net zero impact to agency revenue.

The agency anticipates that the new requirement for employers to file wage reports electronically when there are 25 or more employees would save staff time to focus on other duties but would not have a fiscal effect on the agency. The new definitions for statewide average weekly and annual wages and the revision of the calculation would not result in a fiscal effect since the agency currently has a process in place to calculate the statewide average annually wage and statewide average weekly wage that would simply require a process change. The agency also notes that the bill would affect all employers who pay unemployment taxes, and the impact would be based on the industry and experience rating for placement in the new tax tables.

The Department of Commerce notes that enactment SB 478 would not modify any current processes and would not have a fiscal effect on agency operations. The Kansas Department of Revenue indicates that enactment of the bill would not impact State General Fund receipts and would not have a fiscal effect on agency operations. Any fiscal effect associated with SB 478 is not reflected in *The FY 2025 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Dawn Palmberg, Department of Labor
Sherry Rentfro, Department of Commerce
Lynn Robinson, Department of Revenue