HB 2196
Kansas UI Reforms:
February 4, 2021

Presented to:
KS House Commerce, Labor and Economic Development

Presented By:
Phillip M. Hayes – Vice President, The Arnold Group

On behalf of:
KS SHRM and Kansas Employer Community
1. Unemployment Compensation Modernization Council

- Comprised of **11 members**:
  - 2 Employers
  - 2 Employees
  - 6 Kansas Legislators
  - 1 Member from KDOL

- Primary focus includes:
  - Review/recommend technological infrastructure used to file claims and pay benefits as well as the customer experience
  - Recommend features to maximize responsiveness
  - Recommend methods for sharing data across systems related to UI compensation to maximize efficiency
  - Recommend methods for synergizing user experience across KDOL programs
2. Modernization of Kansas UI System

**New Technology & Platform**
- Component Centric Architecture
- Configurability
- Results-Driven Customer Empowerment
- Extensibility
- Reporting
- Adaptable and Scalable Platform
- Enterprise Service Bus
- Version Control / Change Control
- Multi-Speed IT
- Data Migration / Data Architecture
- Legacy Integration

**Bottom Line**
- Modern, reliable, and modifiable
- System integrity
- 12/31/22 Implementation deadline
- Continual focus on development, customization, enhancements, and upgrades
2. Modernization of Kansas UI System

1. Efficient Benefit Claims & Payment Management
   - Claims Management
   - Eligibility and Payment Processes
   - Monetary and Non-Monetary Determinations
   - Overpayment and Collections Management
   - Fraud Prevention – ID.me
   - Accounting and Auditing

2. Integrated Tax Management Functionality
   - Account Registration
   - Tax and Wage Reports
   - Adjustments and Payments
   - Delinquencies and Collections
   - Tax Audit Assignments
   - Tax Performance Systems

3. Comprehensive Appeals Filing and Tracking
   - Appeal Filing and Management
   - Hearings and Decisions
   - Correspondence and Notices
   - Integrated Workflow
   - Self-Service Features
   - Federal Reporting
3. Notify Recipients of UI Benefits of Tax Liability

- Introduce a requirement to include an announcement on an unemployment insurance benefit claimant’s initial notice of determination.
- Serves to inform claimants of federal/state tax consequences of any unemployment compensation benefits the claimant may receive.
- Provide information regarding the tax withholding process and KDOL’s Income Tax Withholding Agreement (Form K-BEN 233) for tax withholding elections to each claimant at the beginning of their claim year.
4. Transparency in UI Trust Fund Computations and Data Reporting

• Post and maintain trust fund computations/data for each of the most recent 20 fiscal years

• Within 90 days of each fiscal year’s closing date

• ERs should have a clear summary of the variables impacting their tax rate
5. KS Duration of Benefits – Align with Federal Reserve

- Adjust the KS unemployment rate triggers
- Triggers control the duration of benefits in Kansas
- Aligns KS statute with the Federal Reserve’s base unemployment rate threshold of 5.0% – 5.2%, the national economic unemployment rate standard
6. Provide Employer Relief for Fraudulent Charges

- Provide economic relief to Kansas employers
- Specific, limited, targeted timeframe
7. Base Employer Solvency Charge by Each Employers Experience Rating

- Removes flat rate adjustments applied across the board

- Apply base rate MERIT based principles to solvency and credit adjustments
  - Trust fund replenishment is more evenly spread out and avoids disproportionately penalizing employers who use the fund the least
  - Provides fair and proportional trust fund solvency/credit adjustments for each and every rated employer

- Rebalance trust fund tax triggers and increase number of tax rate tables
  - Adjust trigger thresholds to determine tax table/rates for each upcoming year
  - Increase # of solvency tax tables from 5 to 6 and mirror new credit tax tables
  - Apply base rate merit-rated philosophy to credit and solvency adjustments:
    - Levels impact for each rate group at same percentage increase/decrease, AND
    - Each rated employer’s tax rate (both base rate & solvency/credit adjustment) would be based truly on overall earned experience rate, resulting from usage of the system
7. Base Employer Solvency Charge by Each Employers Experience Rating

- **Without** adopting these changes, KS employers will experience the following increases in their UI tax rate:

  - **Top/Best 10 Rate Groups:**
    - 37,867 Employers | **64.55%** of all rated employers
    - SUTA tax rate Increases ranging from **180.00%** to **800.00%**
      - Average increase of **490.00%**

  - **Bottom 11 (Negative) Rate Groups:**
    - 3,178 Employers | **5.42%** of all rated employers
    - SUTA tax rate Increases ranging from **21.05%** to **28.57%**
      - Average increase of **24.81%**
# Proportional Solvency & Credit Triggers

<table>
<thead>
<tr>
<th>Rate Group</th>
<th>Standard/Earned Rate</th>
<th>Proposed/MERIT Solvency Adjustment Rate</th>
<th>Current - Full Increment</th>
<th>Proposed - MERIT Increment</th>
<th>Proposed - Balanced</th>
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</tbody>
</table>

**Current/Full Solvency Adjustment:**
- Imbalanced / Unfair Approach
- Punitive Mechanism for Good Actors

**Proposed/MERIT Solvency Adjustment:**
- Balanced / Fair Approach
- Non-Punitive Mechanism for ALL Actors
Proportional Solvency & Credit Tax Tables

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Lower AHCM Threshold</th>
<th>Upper AHCM Threshold</th>
<th>Solvency Adjustment to Standard Rate</th>
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<tr>
<td>6</td>
<td>1.15000</td>
<td>1000.000000</td>
<td>-0.50%</td>
</tr>
</tbody>
</table>

*Comparison for an Employer with 100 Employees Using a 1.60% Solvency Adjustment:*

- Rate Group 1: 0.20 → **1.80** | $+22,400
- Rate Group 19: 3.80 → **5.40** | $+22,400
- Rate Group 38 (N11): 7.60 → **9.20** | $+22,400

- Rate Group 1: 0.20 → **0.2421** | $+589
- Rate Group 19: 3.80 → **4.5999** | $+11,200
- Rate Group 38 (N11): 7.60 → **9.2000** | $+22,400
8. Provide Immediate Refund to Employer Accounts for Claimant Fraud

- Employers to receive full chargeability credits immediately upon any fraud determination decisions
  - for any unemployment benefit amounts erroneously, improperly or fraudulently paid
  - to any person associated with their employer SUTA account
- As reported under The Payment Integrity Information Act (PIIA),
  - and as a result of the inadequacies of the KDOL’s UI IT system
  - any/all improper payment amounts determined between 3/15/20 & 12/31/22
  - should be replenished to the Kansas UI Trust Fund
9. Expand / Enhance the Kansas Work Share Program

- At least 10% but not more than 50% weekly hours reduction during a negative business cycle, recession, pandemic, etc.
  - No limit of # of weeks per year, but total paid cannot exceed 26 x WBA
  - Claim balance per claimant’s WBA X maximum eligible weeks based on current State UI Rate
- Convert Employer Weekly Certification process to electronic submission

- Encourage and improve business participation
  - Increase marketing/promotion to employer community
  - Reduce the administrative burden for employers

- Allow and limit negative rated ERs (N1-N11) to 1 program year (12 months) over any 5 year period of time within 12 months of declared recession
10. Job Refusal Acknowledge, Process and Responses

- Requirement for KDOL to Acknowledge, Process and Respond to ALL Reported Job Refusals

- Just as employers have 10 days to respond to KDOL’s Employer Job Refusal Statement form, KDOL should have the same requirement to respond to all job refusals reported by an employer

- All reported job refusals should be acknowledged, processed and responded to in a timely manner to ensure a proper determination will be made by KDOL
Questions?

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