

Proponent for Senate Bill 177

KS Unemployment Insurance Reforms

KS Senate Commerce Committee
February 16, 2021

Testimony Provided By:

Phillip M. Hayes

Vice President

The Arnold Group (TAG)

Chairman, KS Employment Security Board of Review

Kansas Department of Labor

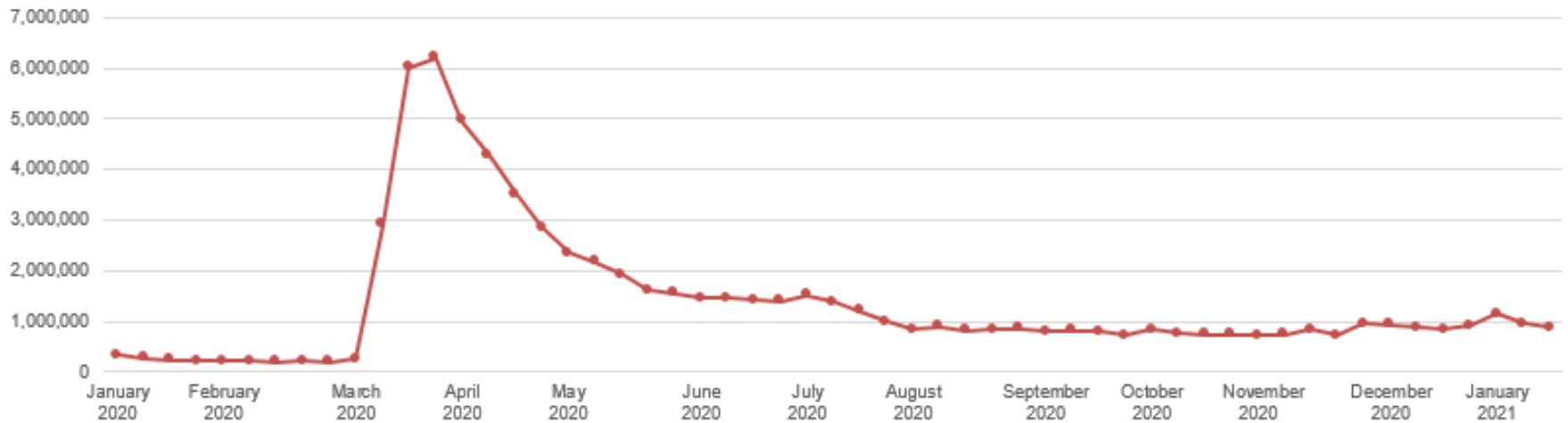


The Arnold Group
A HUMAN RESOURCE COMPANY

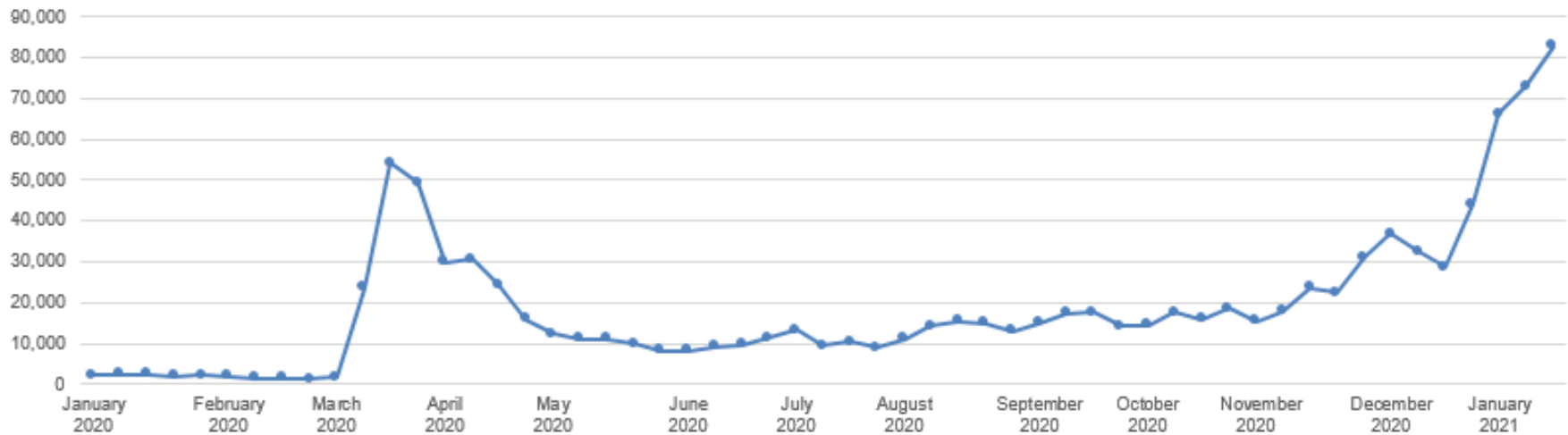
UI Claims Comparison: Week Ending 01/23/21

Filing Week: 1/23/2021 (Not Seasonally Adjusted)				
State	Population	Population %	Initial Claims	Initial Claim %
California	39,512,223	12.04%	53,299	6.10%
Kansas	2,913,314	0.89%	82,944	9.49%
Illinois	12,671,821	3.86%	108,808	12.45%
United States	328,239,523	100.00%	873,966	100.00%

Initial Unemployment Claims (National)



Initial Unemployment Claims (Kansas)



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 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



 Labor Market Information Services
 401 SW Topanga Blvd
 Topeka, KS 66603-2182
 Phone: 785-296-6000
 Fax: 785-296-6208
 Email: KDOI.Laborinfo@ks.gov
 www.dol.ks.gov
 Della Garcia, Secretary
 Laura Kelly, Governor

MEMO

Date: October 15, 2019

To: Angela Berland, Director
Labor Market Information Services

From: John Cahill, Chief Information Officer
Information Technology

Subject: Distribution of Taxable Wages by Experience Factor for State Fiscal Year 2019

I hereby certify these computations are correct and the data are as reported by employers subject to the provisions of the Kansas Employment Security Law.

Rate Group	Reserve Ratio (Lower Limit)	Number of Accounts	SFY 2019 Taxable Wages
1	0.18290	13,210	\$1,568,674,399
2	0.17875	1,746	\$336,800,530
3	0.17160	1,823	\$548,079,676
4	0.16445	2,315	\$657,191,668
5	0.15730	3,737	\$1,123,692,921
6	0.15015	2,775	\$1,206,966,293
7	0.14300	2,890	\$1,262,419,329
8	0.13585	3,129	\$1,343,779,754
9	0.12870	3,072	\$1,219,373,606
10	0.12155	3,170	\$1,141,655,825
11	0.11440	2,547	\$974,017,941
12	0.10725	2,869	\$826,218,336
13	0.10010	2,474	\$688,322,030
14	0.09295	2,016	\$448,601,037
15	0.08580	1,132	\$354,265,075
16	0.07865	1,541	\$249,686,805
17	0.07150	799	\$172,834,151
18	0.06435	709	\$164,443,572
19	0.05720	458	\$89,275,332
20	0.05005	495	\$51,863,379
21	0.04290	230	\$36,598,270
22	0.03575	198	\$46,051,413

October 15, 2019
Angela Berland
Page 2

Rate Group	Reserve Ratio (Lower Limit)	Number of Accounts	SFY 2019 Taxable Wages
23	0.02860	157	\$39,889,876
24	0.02145	137	\$28,978,311
25	0.01430	128	\$27,770,760
26	0.00715	90	\$18,397,388
27	0.00000	1,650	\$70,515,406
N1	-0.00714	110	\$25,345,439
N2	-0.01429	95	\$15,040,044
N3	-0.02144	72	\$5,858,436
N4	-0.02859	71	\$16,678,030
N5	-0.03574	70	\$13,497,358
N6	-0.04289	49	\$11,295,628
N7	-0.05004	58	\$21,871,065
N8	-0.05719	50	\$6,608,974
N9	-0.06434	55	\$3,857,991
N10	-0.07149	42	\$3,011,506
N11	-10,000	2,506	\$617,820,179

	Number of Accounts	SFY 2019 Taxable Wages
Active Positive Eligible Accounts	55,487	\$14,716,363,083
Active Ineligible Accounts	12,216	\$608,207,971
Active Negative Accounts	3,178	\$740,884,650
Terminated and Inactive Accounts	16,765	\$52,816,648
Terminated	0	\$0
Inactive:		
Regular Rated	13,015	\$36,623,099
Industry Rated	1,603	\$13,228,243
Negative	2,147	\$2,965,306
TOTAL	87,646	\$16,118,272,352

AB:MJ

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
- Includes fraud and/or improper payments
- 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%**

Sample Experience Rating Notice

KANSAS DEPARTMENT OF LABOR

www.dol.ks.gov
 401 S.W. Topeka Boulevard
 Topeka, Kansas 66603-3182
 (785) 296-5027

ABC COMPANY
123 MAIN ST
SMALLVILLE, KS 66612

2021 EXPERIENCE RATING NOTICE

DATE MAILED: 11-30-2020
 ACCOUNT NO.: #####

	CONTRIBUTIONS PAID	SB77 PAID	BENEFITS CHARGED	TAXABLE PAYROLL
PRIOR YEARS THRU JUNE 30, 2019	435,926.18	.00	154,001.98	2017 1,790,990.35
FOR FISCAL YEAR ENDED JUNE 30, 2020	18,317.60	.00	1,909.49	2018 1,983,383.14
TOTALS	454,243.78	.00	155,911.47	2019 2,347,066.48
			TOTAL	6,121,439.97
ACCOUNT BALANCE IS:	298,332.31	(Contributions Paid Less Benefits Charged) SB77 Payments Not Included		Average of Taxable Payrolls Shown is → 2,040,479.99

RATE COMPUTATION

ACCOUNT BALANCE	÷	AVERAGE ANNUAL TAXABLE PAYROLL	=	RESERVE RATIO	RATE GROUP	YOUR CONTRIBUTION RATE FOR
298,332.		2,040,479.		14.621	7	2021 IS 1.40 %

*Total Contributions Paid *minus* Total Benefits Charged = Account Balance *divided* Average Taxable Wages = Reserve Ratio

*Reserve Ratio determines an employers Earned/Standard Rate Group

Reference Lower & Upper Reserve Ratio (RR) Limits in HB 2196; pages 54-55 and SB 177; pages 55-56 (current statute limits – passed in 2015)
 Rate Group 7 lower RR limit is 14.300 and the upper RR limit is 15.014; ABC COMPANY has a RR of **14.621**, therefore they Earned **Standard Rate Group 7**
Standard Rate Group 7 Earned/Standard Rate is **1.40%** (HB 2196; page 54-55 and SB 177; pages 55-56 (current statute standard rates – passed in 2015)

New Solvency/Credit Adjustments Simplified Explanation

- **ABC COMPANY:**
 - 2021 **Reserve Ratio is 14.621**
 - Standard Schedule: Reserve Ratio of **14.621** corresponds to **Rate Group 7**
 - 2021 **Earned/Standard Rate is 1.40%**
- **Solvency/Credit Adjustments Structure:**
 - KS UI Trust Fund Balance has self-regulating triggers (current statute & HB 2196 / SB 177)
 - Standard and all Solvency/Credit Schedules are triggered by TF balance as % to the USDOL solvency standard amount
 - HB 2196 / SB 177 Fund Control Table B (page 54) uses U.S. DOL Solvency Standards amount as our mid-point for Standard Schedule S (7)
 - Schedules **1-6 are solvency increase** adjustment schedules
 - Schedule **S (7) is the standard neutral** rate schedule
 - Schedules **8-13 are credit decrease** adjustment schedules
 - Solvency adjustment example:
 - Schedule 3 prescribes a **1.60% maximum solvency increase** adjustment
 - **1.60%** divided by 38 total rate groups = **0.0421**
 - **0.0421** serves as a proportional multiplier for an employers Earned/Standard Rate *Group #*
 - **0.0421** multiplied by **7 (Rate Group)** = **0.2947** then added to the **Earned/Standard Rate**
 - **0.2947** plus **1.40% (Earned/Standard Rate)** = **1.6947%**
 - **1.6947%** would be the proportional SUTA rate for ABC COMPANY (21.05% overall incr.)
 - **Rather than** 1.40% plus the full solvency adj. of 1.60% totaling **3.00% (214.29% overall incr.)**

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

2020 (1)

2021 (2)

2022 (3)

2023 (4)

2024 (5)

2025

2026

2027 (1)...

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?



Phil Hayes

316.619.7864

phayes@the-arnold-group.com

www.the-arnold-group.com

