



**E-1**  
**Kansas Bioscience  
Authority**

**E-2**  
**Unemployment  
Insurance Trust Fund**

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# **Kansas Legislator Briefing Book 2016**

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## **Commerce, Labor, and Economic Development**

### **E-2 Unemployment Insurance Trust Fund**

#### **Overview**

The Kansas Unemployment Insurance (UI) Trust Fund was created in 1937 as the state counterpart to the Federal Unemployment Insurance Trust Fund. The Fund provides income stability for Kansas citizens during times of economic difficulty while stimulating economic activity. The Legislature has modified the provisions of the Kansas Unemployment Insurance law several times over the past two decades to address the accumulation of excess balances in the Fund.

#### **State Fund Contributions**

Contributions to the UI Trust Fund are made by Kansas employers and are governed by KSA44-710a. The Fund is designed to be self-correcting. When unemployment rates increase, contribution rates increase, and contribution rates decline during better economic times. The State charges employers a fee on the first \$12,000 of wages paid to each employee, called the taxable wage base. In rate year 2016, the wage base increases, from \$12,000 to \$14,000. The fee amount collected from employers varies, depending upon the presence or absence of several factors or conditions, such as employer classifications. Employers in Kansas can be classified as a new employer, an entering and expanding employer, a positive balance employer, or a negative balance employer.

New employers in the construction industry with less than three years of employment history are charged a fee amount equal to 6.0 percent of their taxable wage base. For new employers who are not in the construction industry and have fewer than 24 months of payroll experience, the contribution rate is 2.7 percent.

After receiving notice from the state Department of Labor regarding contributions owed for the upcoming rate year, a new employer has 30 days to request an alternative rate be applied if the employer can provide information that the employer's operation has been in existence in another state for a minimum of three years prior to moving to Kansas. If that condition is met, the contribution rate charged to the employer may be equal to the rate previously charged by another state, provided that rate was not less than 1.0 percent. In order to retain the reduced contribution rate, the employer must maintain a positive account balance

throughout the four year period the reduced rate is in effect.

Employers with an employment history of at least three years qualify for experience-based ratings. Employers are classified as positive balance when their total contributions to the Fund exceed the amount of unemployment benefits charged to their accounts. Positive balance employers are grouped into 27 rate groups, depending upon their unemployment experience, and a specific contribution rate is determined for each employer. The standard rates for the positive groups range from 0.2 percent for rate group 1 and increase by units of 0.2 percent in each subsequent rate group until 5.4 percent is established for rate group 27.

Employers who are not classified as negative balance employers are eligible to receive a fee discount of 25.0 percent if all reports are filed and contributions are made by January 31. This discount does not apply if other discounts provided by law are in effect or if the Fund's balance is insufficient.

Employers are classified as negative balance when their total contributions to the Fund fail to exceed the amount of unemployment benefits charged to their accounts. They are grouped into 11 rate groups. The standard rates for the negative groups range from 5.6 percent for rate group N1 and increase by units of 0.2 percent in each subsequent rate group until 7.6 percent is established for rate group N11.

The solvency adjustment, which is based upon the Fund's reserve ratio (the Fund's balance as of July 31, divided by total payroll for contributing employers) and the average high benefit cost rate (an average of the three highest ratios of benefits paid to total wages in the most recent 20 years)

is applied to all experience rated employers, which range from a maximum of 1.6 percent to -0.5 percent. Employers have the choice to make additional contributions to the Fund in order to become positive balance employers and qualify for an experience-based rating with lower contribution rates.

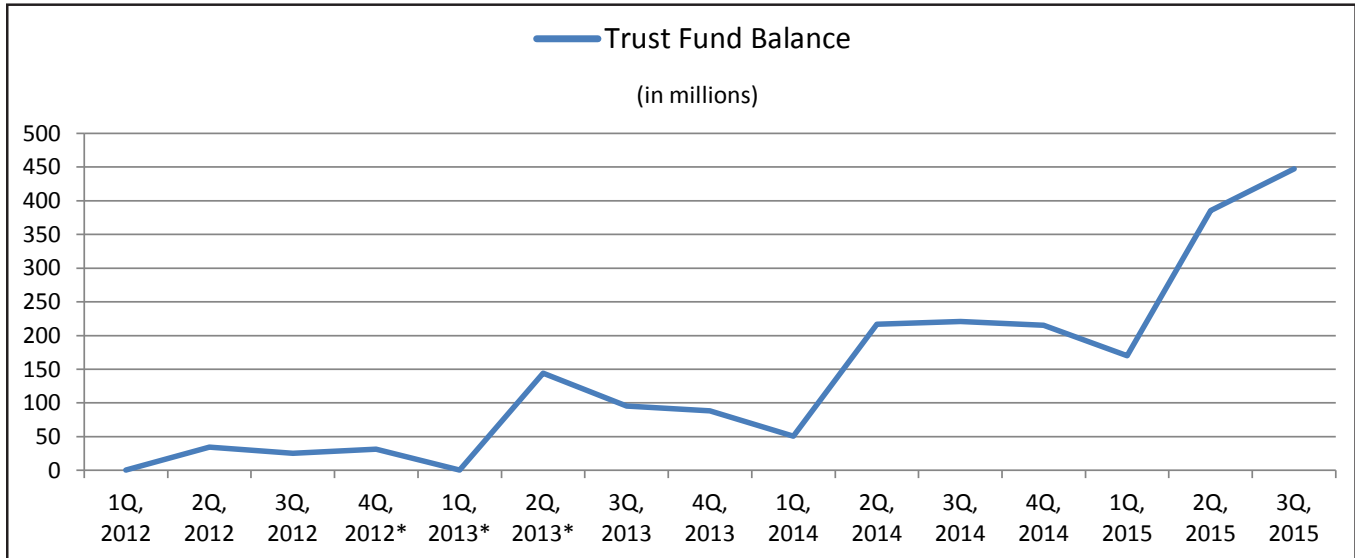
### **Federal Unemployment Trust Fund**

In addition to the contributions to the Kansas UI Trust Fund, employers contribute to the Federal Unemployment Insurance Trust Fund (FUTF). Employers pay a rate of 6.0 percent on the first \$7,000 of income; however, the federal government provides a tax credit of 5.4 percent against this rate for states with an unemployment insurance program in compliance with federal requirements. This yields an effective contribution rate of 0.6 percent for Kansas employers. The FUTF is used for administrative purposes and to fund loans to state unemployment insurance programs when they become insolvent.

### **Solvency of UI Trust Fund**

Kansas uses the Average High Cost Multiple (AHCM), as recommended by the U.S. Department of Labor, to ensure the UI Trust Fund is adequately funded. The AHCM is the number of years a state can pay benefits out of its current Trust Fund balance if it were required to pay benefits at a rate equivalent to an average of the three highest 12-month periods in the past 20 years.

The primary determinants of the Trust Fund depletion rate are the benefits paid out, the number of persons to whom unemployment is paid, and the amount of time for which benefits are paid.



\* Includes temporarily borrowed federal funds of \$40.0, \$75.3, and \$50.2 million, respectively, for the reported quarters.  
 Source: Weekly UI Reports, KDOL

**Current Status of the Fund**

During the recession of 2008, the State borrowed funds from the Federal Unemployment Account to make unemployment benefit payments. The State borrowed \$170.8 million in April 2011, but paid down the amount to \$33.7 million in October 2011. The State then borrowed amounts weekly up to \$141.7 million in April 2012. The State paid the federal loan balance in May 2012 with a goal to not borrow any additional funds from the federal government going forward. In total, the Kansas Department of Labor paid \$5.7 million in interest payments on these loans, including \$4.6 million in September 2011 and \$1.1 million in September 2012. The State Department of Labor may borrow amounts from the Pooled Money Investment Board as necessary. The agency does not currently expect any future loans will be necessary.

**Employee Benefits**

The amount of money an employee can receive in unemployment compensation will vary depending on the level of compensation the employee received during employment and the length of time

the employee can receive benefits. However, there are strict upper and lower limits on benefit payments to prevent over-and under-compensation. If the State Department of Labor determines a person made a false statement or representation when applying for benefits, that person is disqualified from receiving benefits for five years.

**Calculating the Weekly Benefit**

The weekly benefit amount is what the claimant will receive each week in unemployment compensation. The weekly benefit amount is determined by multiplying 4.25 percent times the highest earning quarter in the first four of the last five completed calendar quarters. KSA 44-704(c) limits the weekly benefit amount to either \$474 or 55.0 percent of the average weekly wages paid to employees in insured work in the previous calendar year, whichever is greater. Subsection (d) of the same statute guarantees that employees will receive at least 25.0 percent of the average weekly wages paid to employees in insured work in the previous calendar year.

## Calculating the Length of Compensation

During a standard or non-recessionary period, an employee's duration of benefit is calculated in one of two ways, whichever is less. First, an employee can receive weekly compensation for 26 weeks or second, the duration of benefits is determined by multiplying 1/3 times the total benefits received in the first four of the last five completed calendar quarters. The weekly benefits amount is divided into the total benefits received in order to determine the number of weeks an employee can receive compensation.

If the unemployment rate for Kansas is equal to or greater than 6.0 percent, a person is eligible for a maximum of 26 weeks of benefits. If the unemployment rate is less than 6.0 percent but greater than 4.5 percent, a person is eligible for 20 weeks of benefits. A person is eligible for 16 weeks of benefits if the unemployment rate is equal to or less than 4.5 percent. For purposes of this provision, the law calculates the unemployment rate at the beginning of a benefit year, using a three-month, seasonally adjusted average.

The federal Emergency Unemployment Compensation Act of 2008 (Act) extends an

employee's duration of benefit by 20 weeks and has an additional Tier 2 trigger to provide 13 weeks of compensation when unemployment exceeds 6.0 percent, for a total of 33 weeks above the 26 weeks of unemployment compensation in non-recessionary periods. All benefits paid under the Act are paid from federal funds and do not impact the Kansas UI Trust Fund balance.

Under KSA 44-704(a), Kansas will provide an additional 13 weeks of unemployment compensation when the Kansas economy hits one of several indicators, including an unemployment rate of at least 6.5 percent for the previous three months. An applicant can receive less than 13 weeks of extended state benefits in the event his or her original eligible benefit period was less than 26 weeks based on the 1/3 calculation. Under state law, extended Kansas benefits are paid 50.0 percent from the Kansas UI Trust Fund and 50.0 percent from the FUTF.

## Enforcement of the UI System

In 2013, the Legislature authorized the Secretary of Labor to hire special investigators with law enforcement capabilities to investigate UI fraud, tax evasion, and identity theft.

For more information, please contact:

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