Kansas
Department of Labor

Unemployment Insurance (UI) Reference Guide

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2002 - 2011

Table of Contents

Page

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Message from the Interim Secretary

On behalf of the Kansas Department of Labor, I am pleased to provide the *UI Reference Guide 2002-2011* as a resource to Kansans and others looking for unemployment insurance data for our state.

A slow but steady recovery is underway in the Kansas economy. Both the number of initial claims and the number of people receiving unemployment insurance benefits in the state declined from 2010 to 2011.

The duration of benefits available has decreased in 2012 as the state unemployment rate continues to drop. We anticipate continued decreases in the federally-funded extended unemployment benefits, put in place by Congress as a result of the recent recession. The Department will continue to offer the regular 26 weeks of benefits that are funded by state employers.

Detailed information about the entire unemployment insurance program is outlined in this Reference Guide. It is our hope it will assist you in understanding employment and unemployment in Kansas and will provide context for conditions seen in the state's labor market.

For additional information, please visit our website at www.dol.ks.gov. We welcome any feedback or suggestions you have for this publication at communications@dol.ks.gov.

Lana Gordon

Lana Gordon
Interim Secretary
Kansas Department of Labor

November 2012

Executive Summary

Below is a brief look at some of the leading unemployment statistics for Kansas during 2011. This data reflects many improvements over the same statistical information from 2010.

Initial claims for unemployment insurance (UI) in Kansas totaled 176,216 in 2011, a decline of 11.1 percent from the 2010 total of 198,226.

The insured unemployment rate for 2011 was 2.3 percent, a decrease of 0.6 percentage points from 2010. The average duration of regular program UI claims was 15.9 weeks in 2011, down from 17.9 weeks in 2010.

There were a total of 140,352 individuals who received UI benefits in 2011, down from 171,439 in 2010, an 18.1 percent decrease.

Benefit payments totaled $431.1 million in 2011, a decrease of 20 percent from $538.6 million in 2010. The maximum and minimum weekly benefit amounts (WBA) allowed during SFY 2012 were $444 and $111, respectively. These amounts have increased slightly for SFY 2013, with $456 for the maximum WBA and $114 for the minimum.

In 2011, jobless benefits replaced, on average, 41.6 percent of weekly wages received by a claimant prior to becoming unemployed. The average WBA received by claimants in 2011 was $316.23, while the average weekly wage in covered employment was $759.66.

From 2004 to 2007, Trust Fund revenues exceeded benefit payouts. A turnaround occurred in 2008 when Trust Fund payouts exceeded revenues. During 2011, a total of $408.7 million in contributions and interest was received while Kansas paid out $431.1 million in UI benefits.

Contributions increased each year from 2000 through 2005. Part of the increase in revenues can be credited to the end of the five-year UI tax moratorium and also to the self-adjusting nature of the state's unemployment taxing structure. Annual contributions then declined each year from 2006 to 2009. In 2010 and 2011 contributions again increased, with employers paying $408.5 million in unemployment taxes in 2011.

The Trust Fund balance fell to $289 million in 2003, resulting in the lowest year-ending balance since 1984. The balance increased each year from 2004 through 2007, peaking at $638.1 million. The Trust Fund balance has declined each year from 2008 to 2011, ending 2011 with only $802,436.

Increasing the Trust Fund balance improves the adequacy of the Trust Fund. The Average High Cost Multiple (AHCM) rose for four consecutive years, ending 2007 at 1.41. It then declined each year through 2010, when it was at -0.11. In 2011 the AHCM was -0.1.

Tables and Graphs

List of Tables

List of Graphs

List of Maps

Kansas Employment Security Law

Unemployment insurance (UI) provides partial wage replacement on a temporary basis to workers involuntarily unemployed through no fault of their own. They receive, on average, a weekly benefit payment slightly less than one-half of their former weekly wage up to a maximum which is recalculated annually and established by law.

The Kansas Employment Security Law was enacted in 1937 in compliance with the Federal Social Security Act of 1935. The Social Security Act:

1. created a federal unemployment tax;
2. allowed employers a federal tax credit for taxes paid under certified state laws;
3. provided for federal financing of state administrative costs; and
4. allowed states to develop certain substantive elements of unemployment compensation programs.

The Kansas law was enacted to encourage “employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor-relief assistance,” as defined in K.S.A. 44-702.

All state UI laws have the same purpose, but each state has its own set of laws to achieve this purpose. Coverage provisions of state laws are heavily influenced by the taxing provisions of the Social Security Act and those of the Federal Unemployment Tax Act (FUTA). It is the method of collecting taxes, paying benefits and determining eligibility which generally differs from state to state. All states must comply with conformity and certification provisions of federal law.

Kansas administers programs for unemployed federal and military employees, which are covered under Unemployment Compensation for Federal Employees and Unemployment Compensation for Ex-Service Members, respectively. In addition, reciprocal arrangements among state workforce agencies (SWAs) allow joint state claims and claims of other SWAs.

An historical perspective on the state’s civilian labor force and total and covered employment is presented in Table 1 on the next page. Annual averages for the 10 year period, 2002 through 2011, are provided. The civilian labor force refers to the universe of employed and unemployed persons 16 years of age and older. Excluded are members of the armed forces and those in institutions. Covered employment refers to those workers subject to the UI provisions of the Kansas Employment Security Law.

Table 1
Civilian Labor Force and Total and Covered Employment
Annual Average
CY 2002-2011

Calendar Year	Civilian Labor Force[1/]	Employment		Percent of Covered to Total
		Total	Covered	
2002	1,424,054	1,336,100	1,275,072	95.4
2003	1,445,385	1,313,200	1,257,643	95.8
2004	1,462,277	1,325,000	1,270,486	95.9
2005	1,465,098	1,333,100	1,279,631	96.0
2006	1,468,402	1,353,800	1,301,795	96.2
2007	1,471,969	1,380,000	1,331,268	96.5
2008	1,480,875	1,390,800	1,341,998	96.5
2009	1,507,644	1,343,300	1,292,090	96.2
2010	1,504,883	1,328,400	1,269,897	95.6
2011	1,505,043	1,335,900	1,277,354	95.6

[1/] All employed and unemployed persons excluding those under 16 years of age, inmates of institutions and members of the armed forces.

Note: Numbers may change from year to year due to benchmarking.

Source: Kansas Department of Labor, Labor Market Information Services

From 2010 to 2011 the civilian labor force, total employment and covered employment all experienced a small increase.

Covered employment peaked at 1,341,998 in CY 2008. It declined to 1,269,897 in CY 2010, but increased to 1,277,354 in CY 2011.

Table 2, on the following page, provides the total unemployment rates and insured unemployment rates within the past 10 years. Total unemployment includes those persons who are not currently employed but who are available and looking for work. Insured unemployment is a measure of the number of individuals claiming benefits relative to the average covered employment. Graph 1, on the following page, shows that total unemployment increased each year from 2007 to 2010, peaking at 7.2 percent. It declined to 6.7 percent in 2011. The insured unemployment rate declined to 2.9 percent in 2010, the first decrease since 2006-2007 and continued this downward trend in 2011, ending at 2.3 percent.

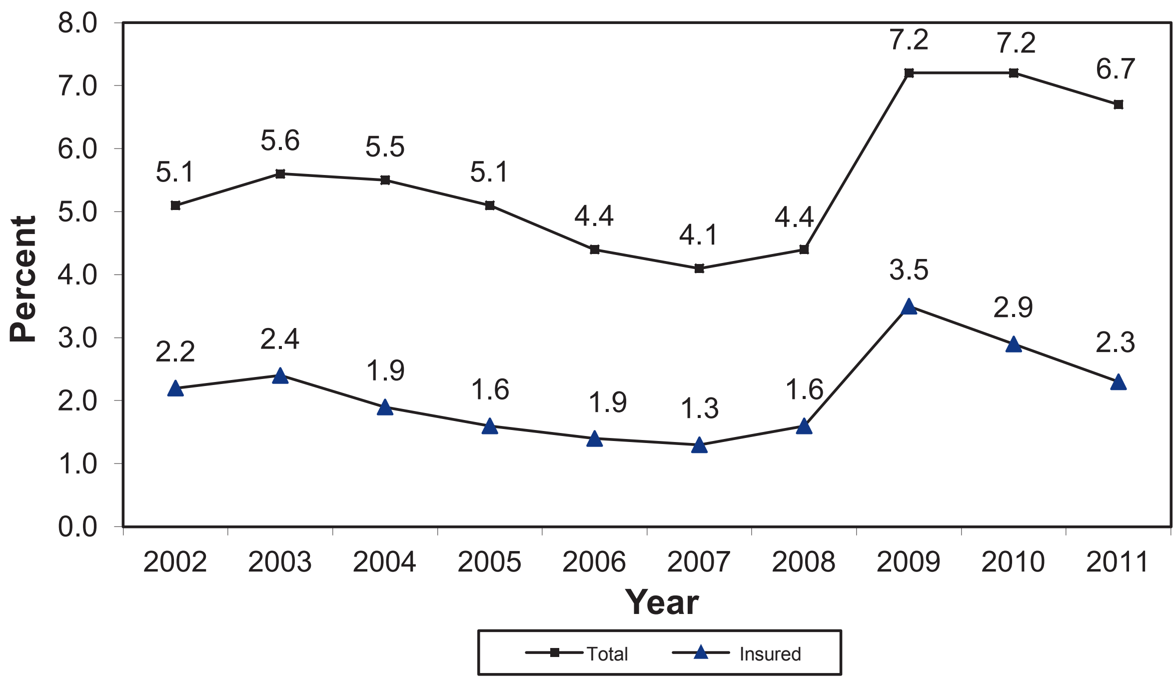
The insured unemployment rate for CY 2011 was 2.3 percent, a decrease of 0.6 percentage points from the previous year.

Table 2
Total and Insured Unemployment
Annual Average
CY 2002-2011

Calendar Year	Unemployment				Percent of Insured to Total
	Total		Insured		
	Number	Rate	Number	Rate	
2002	73,094	5.1	28,277	2.2	38.7
2003	80,598	5.6	30,272	2.4	37.6
2004	80,934	5.5	23,426	1.9	28.9
2005	74,806	5.1	20,357	1.6	27.2
2006	64,464	4.4	17,352	1.4	26.9
2007	60,585	4.1	17,268	1.3	28.5
2008	65,408	4.4	21,615	1.6	33.0
2009	108,288	7.2	47,701	3.5	44.1
2010	107,675	7.2	37,371	2.9	34.7
2011	100,704	6.7	29,023	2.3	28.8

Note: Numbers may change from year to year due to benchmarking.
Source: Kansas Department of Labor, Labor Market Information Services

Graph 1
Total and Insured Unemployment
CY 2002-2011



Source: Kansas Department of Labor, Labor Market Information Services

Kansas Unemployment Insurance Trust Fund

Provisions for the Trust Fund

From 2004 to 2007, Trust Fund revenues exceeded Trust Fund payouts. Each year from 2008 through 2011 the benefit payments have exceeded revenues.

UI benefits are paid from the UI Trust Fund. The Kansas Employment Security Trust Fund was created in K.S.A. 44-712 of the Employment Security Law. It established a special fund consisting of a clearing account, an unemployment insurance trust fund account and a benefit payment account. These accounts include contributions from employers, interest earned, properties and securities acquired and funds received from other sources.

Monies in the Trust Fund are deposited into the state's account within the Federal Unemployment Insurance Trust Fund (FUITF). The FUITF is maintained by the Secretary of the Treasury of the United States and is one of the largest funds maintained by the Treasury. Interest on monies in the FUITF is earned quarterly; each state's account is credited with a pro rata share. Monies to pay benefits are requisitioned on a daily basis.

Forward funding is an important concept in maintaining any fund used for insurance purposes. This is also the case with the UI Trust Fund. It denotes a system whereby sound actuarial principles are implemented for the purpose of ensuring adequate reserves. Relative to unemployment insurance, forward funding calls for the systematic accumulation of contributions in good times for later disbursement to eligible workers during periods of economic decline. Reserves must be adequate to meet benefit costs, yet not so great as to monopolize unnecessary funds that could be better used by the employers in the state. The goal of the state's taxing structure is to sustain a level of funding sufficient to meet benefit costs.

Factors Affecting the Fund Balance

The Trust Fund is used primarily for the purpose of making payments of UI benefits to eligible claimants. Three principal factors affect the Trust Fund:

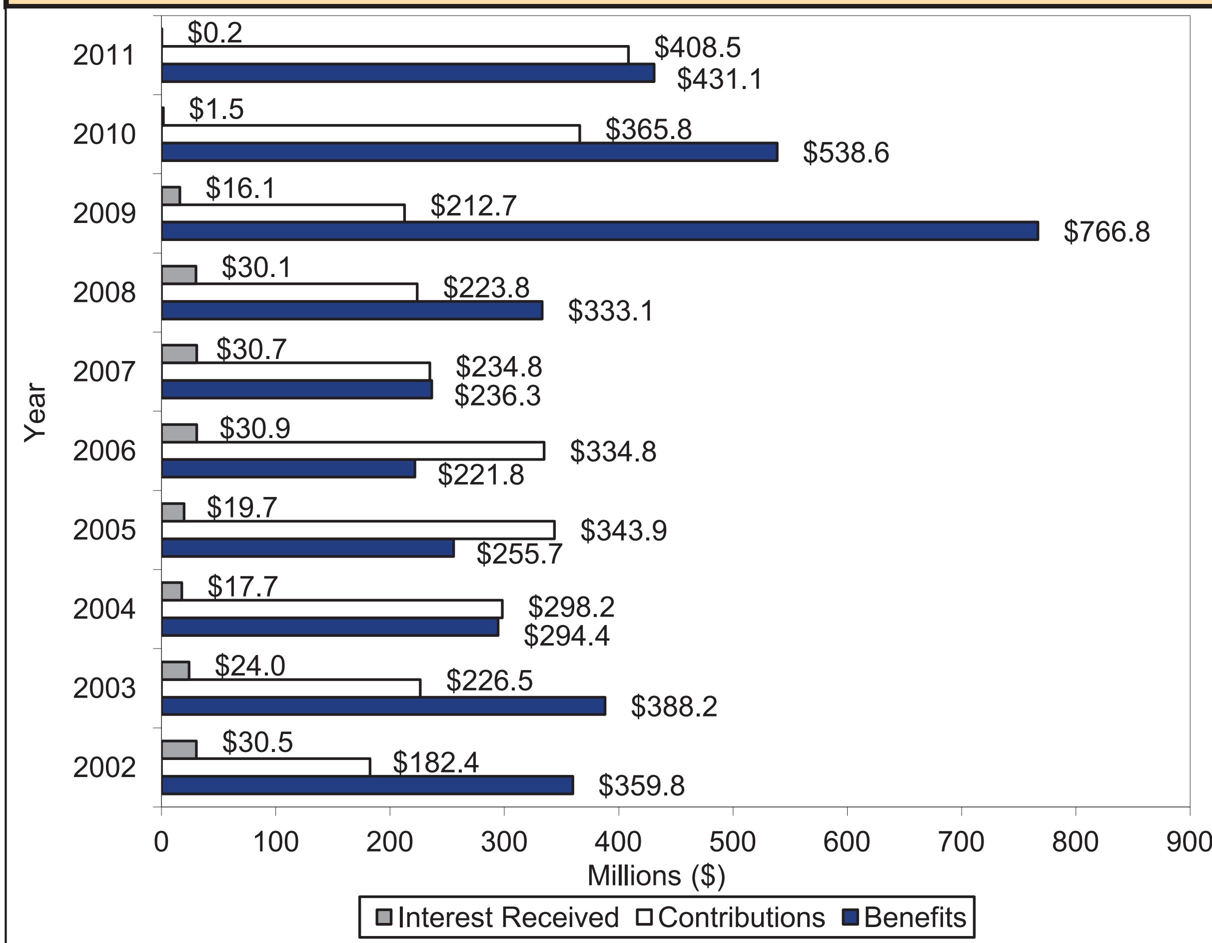
1. benefits paid
2. contributions received
3. interest earned

Benefit payments dropped from $538.6 million in 2010 to $431.1 million in 2011, a decrease of 20 percent.

Employer contributions and interest earned represent revenue and increase the state's Trust Fund reserves. Conversely, benefits paid represent outflow and diminish the Fund. The balance fluctuates daily. A 10 year history of the primary factors affecting the Fund balance is presented in Graph 2 on the next page.

Kansas Unemployment Insurance Trust Fund

Graph 2
Benefits, Contributions and Interest Received
CY 2002-2011



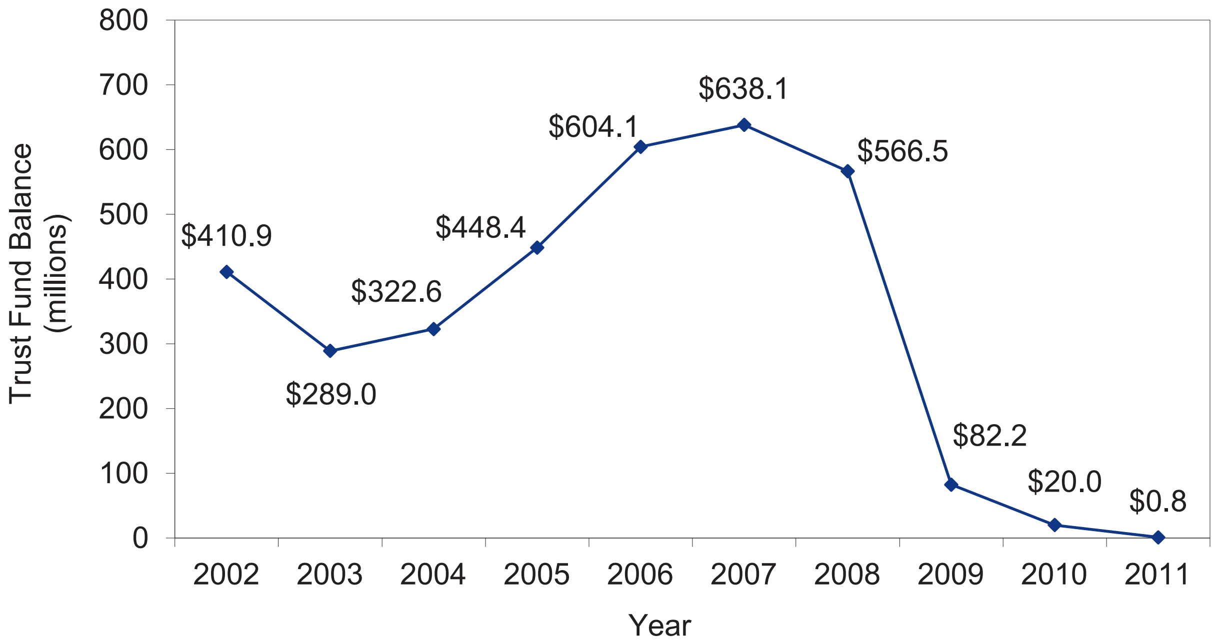
Source: Kansas Department of Labor, Labor Market Information Services

Due in part to the self-adjusting nature of the state's unemployment taxing structure, contributions increased each year from 2000 through 2005 and declined from 2006 through 2009. Contributions were up again in 2010 and 2011, with employers paying a total of $408.5 million in 2011.

Graph 3, on the following page, illustrates the year-end Trust Fund balances from 2002 through 2011. The economic recession, which officially began in December 2007, led to an unprecedented increase in the amount of UI benefit payments, thereby producing a staggering decrease in the Trust Fund balance.

Kansas Unemployment Insurance Trust Fund

Graph 3
Trust Fund Balances
CY 2002-2011

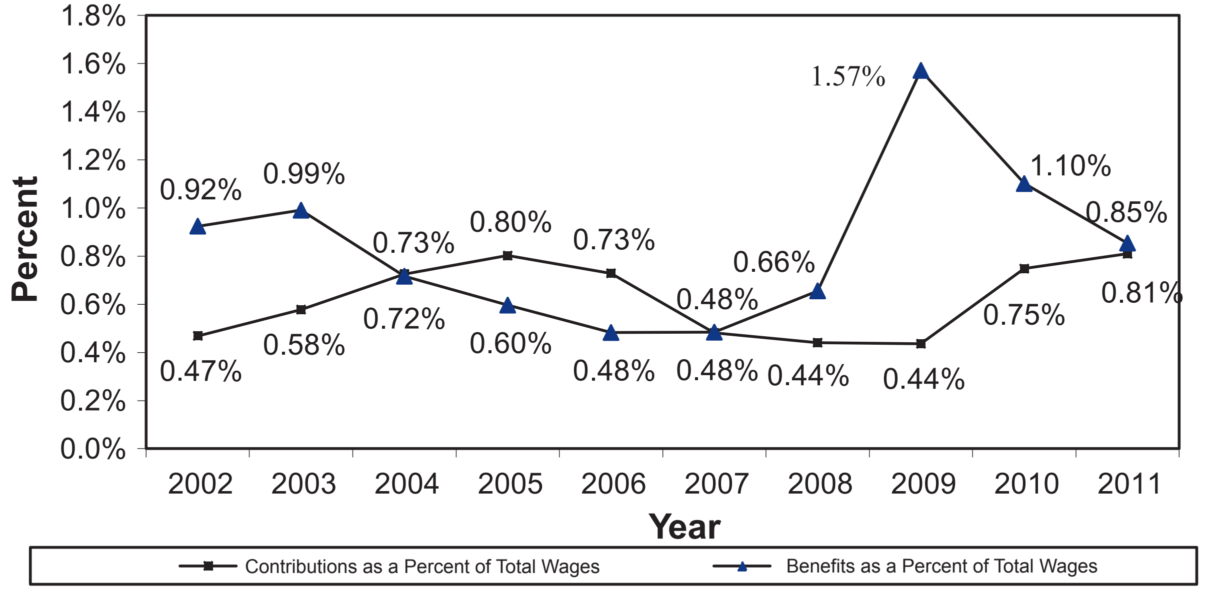


Source: Kansas Department of Labor, Labor Market Information Services

After increasing each year from 2004 to 2007, the year-ending Trust Fund balance has declined from 2008 through 2011, leaving an $800,000 balance at close-of-business on December 31, 2011.

In addition to examining the Trust Fund balance, it is also important to examine contributions and benefits as a percent of total wages, such as those provided in Graph 4 on the next page. This comparison reveals periods of time during which the rate of employer contributions was less than the rate of UI benefit payments. The overall Trust Fund balance will deplete during periods when the rate of benefit payments exceeds the rate of contributions and will increase when the converse is true. UI benefit payments have exceeded contributions every year since 2008.

Graph 4
Contributions and Benefits as a Percent of Total Wages
CY 2002-2011



Source: Kansas Department of Labor, Labor Market Information Services

Adequacy of the Trust Fund

Trust Fund adequacy is determined by the ability of the Trust Fund to satisfy benefit payments. While an increasing Trust Fund balance may appear to indicate solvency, the nature of UI requires that other measures be used to determine true solvency or Trust Fund adequacy. In 2007, the Kansas Legislature enacted an amendment to the law which utilizes the Average High Cost Multiple (AHCM) to measure Trust Fund adequacy.

$$\text{Average High Cost Multiple (AHCM)} = \frac{\text{Reserve Fund Ratio (RFR)}}{\text{Average High Benefit Cost Rate}}$$

$$\textit{Reserve Fund Ratio (RFR)} = \frac{\textit{Fund Balance}}{\textit{Total wages of covered employment}}$$

$$\textit{Benefit Cost Rate (BCR)} = \frac{\textit{Total Benefit Payments}}{\textit{Total wages of covered employment}}$$

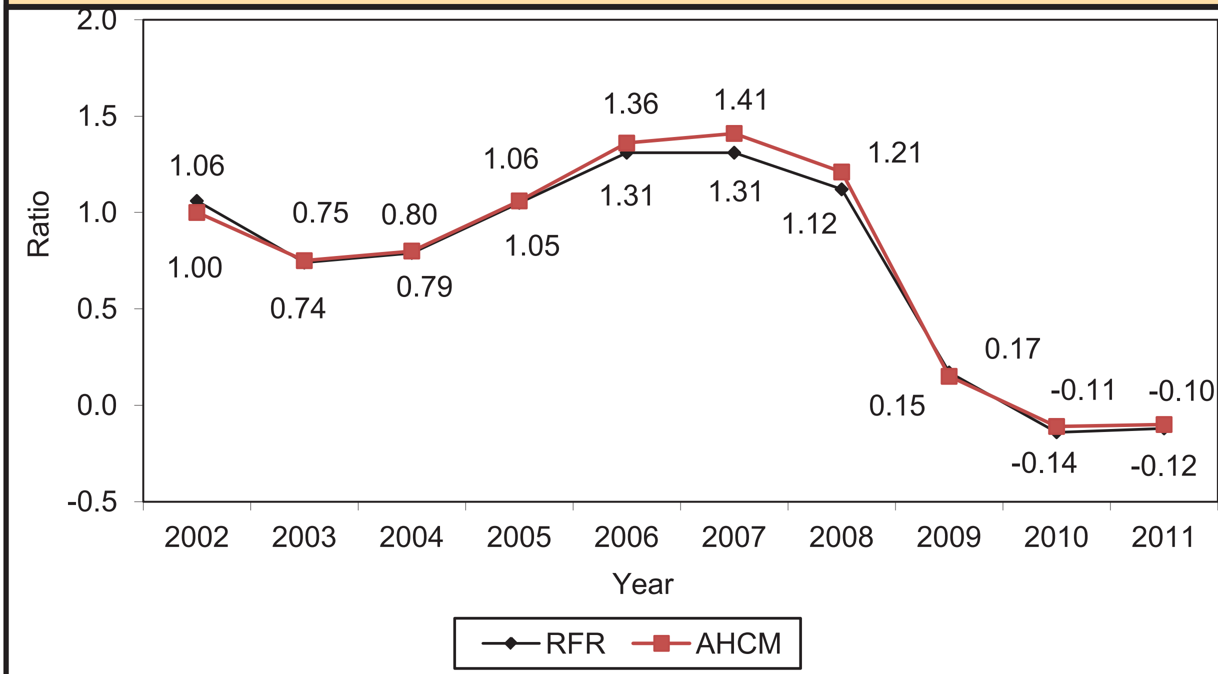
The AHCM is defined as the ratio of the Reserve Fund Ratio (RFR) to the Average High Benefit Cost Rate (AHBCR). The RFR is the ratio of the fund balance to total wages of covered employment. The Benefit Cost Rate (BCR) is the ratio of the total benefit payments to total wages of covered employment. The AHBCR is the average of the three highest BCRs in the last 20 years. Therefore, the AHCM is an estimate of how long (in years) the Trust Fund could pay benefits during a time equivalent to an average of the three highest annual benefit cost periods in the most recent 20 years. As of December 31, 2011, the AHCM was -0.1. This indicates that the Trust Fund could not withstand paying benefits and is a reflection of the state's need to borrow funds for the Trust Fund (discussed in more detail in the following section). In order for the

Kansas Unemployment Insurance Trust Fund

Trust Fund to be considered solvent, the AHCM must be 1.2 or greater, indicating the ability to satisfy benefit payments for approximately 14 months.

Graph 5 depicts historical levels of the Reserve Fund Ratio and Average High Cost Multiple.

Graph 5
Reserve Fund Ratio (RFR) and
Average High Cost Multiple (AHCM)
CY 2002-2011



Source: Kansas Department of Labor, Labor Market Information Services

The Reserve Fund Ratio and Average High Cost Multiple increased from 2004 through 2007. After declining from 2008 through 2010, they increased again slightly in 2011, ending at -0.12 and -0.1, respectively.

A recent history of the RFR, AHCM, end-of-year Trust Fund balances and total wages is depicted in Table 3 on the following page. In 2010, the Trust Fund balance, RFR and AHCM decreased significantly, indicating Trust Fund insolvency. They remained basically unchanged during 2011.

Table 3 Trust Fund Adequacy Measures CY 2002-2011				
Calendar Year	Total Wages Insured Employment (millions)	Trust Fund Balance (millions)	Reserve Fund Ratio	Average High Cost Multiple
2002	38,910.9	410.9	1.06	1.00
2003	39,175.1	289.0	0.74	0.75
2004	41,084.1	322.6	0.79	0.80
2005	42,857.7	448.4	1.05	1.06
2006	45,942.8	604.1	1.31	1.36
2007	48,811.1	638.1	1.31	1.41
2008	50,794.0	566.5	1.12	1.21
2009	48,785.9	82.2	0.17	0.15
2010	48,892.4	20.0	-0.14	-0.11
2011	50,458.7	0.8	-0.12	-0.10

Source: Kansas Department of Labor, Labor Market Information Services

Trust Fund Advances

In February 2010, for the first time in its 75-year history, the Kansas UI Trust Fund was entirely depleted of funds, reaching a $0 balance. At that time the state began to obtain advances from the federal government in order to maintain its ability to make timely UI benefit payments. To better understand the effect that obtaining advances has on the Federal Unemployment Tax Act (FUTA) credit and other aspects of the UI system, this section provides a brief description of the process of obtaining and repaying advances issued from the Federal Unemployment Account (FUA). Additional information about FUTA is found on page 11.

Funds are transferred to the UI Trust Fund as needed on a daily basis, meeting the benefit payment requirements for that day. The loan is for the exact amount of the benefit payments due less the amount of the employer contribution deposits made that day. This process ensures that the amount borrowed each day is exactly equal to, and not in excess of, the amount needed to satisfy benefit payments on that day.

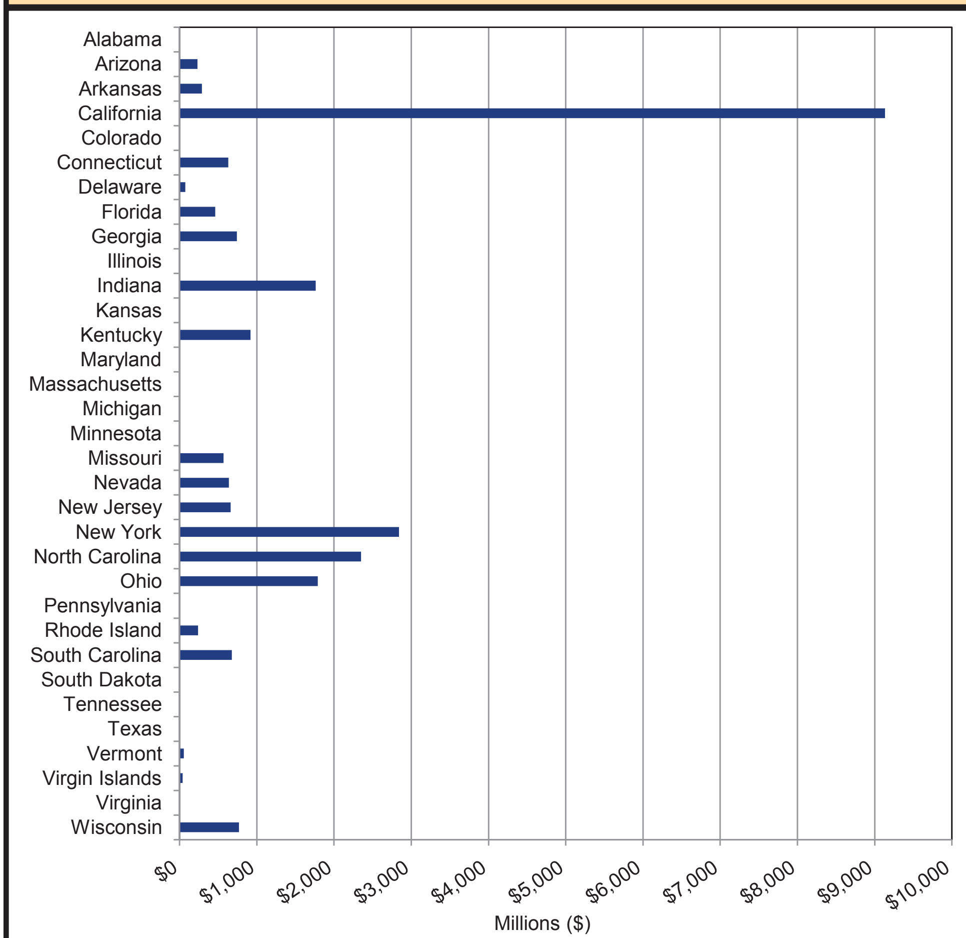
Repayment of the principal balance of the Trust Fund loan can come from various sources. These include UI Trust Fund contributions, state general funds, surcharges, reduced FUTA credits or additional solvency taxes. If a state has an outstanding balance on January 1 of the second year after receiving a loan and has not repaid that loan by November 10, the state's employers will be subject to a FUTA offset credit reduction to repay the loan. The state will also be subject to a loss of the grants used for administrative costs until the interest due has been paid.

The state cannot use regular employer unemployment tax contributions to pay the interest accrued on advances. The interest payments must come from an alternative source. Interest rates on Trust Fund loans are determined by taking the average of the treasury rates for the previous year's fourth quarter. The interest rate during the fourth quarter of 2011 was 4.09 percent. Each year, during mid-September, states will receive an invoice detailing the amount of interest owed, which will be due by September 30. No interest is due on advances made between January 1 and September 30 if repaid in full before October 1, providing that no additional Trust Fund loans are obtained before the end of the calendar year. Additionally, the American Recovery and Reinvestment Act (ARRA) temporarily waived interest payments and the accrual of interest on Trust Fund loans issued to states from the FUA through December 31, 2010.

Trust Fund Loan Balances of Participating States

As of August 23, 2012, a total of 20 U.S. states and territories had outstanding balances after obtaining advances from the federal government to satisfy UI benefit payments. Graph 6 provides a list of these states and their outstanding loan balances. On December 31, 2011, Kansas had an outstanding loan balance of $63 million. The Trust Fund loan balance was paid in full on May 3, 2012. The loan payoff amount was $141.7 million.

Graph 6
Trust Fund Loan Balances
August 23, 2012



Source: U.S. Department of Labor, Employment and Training Administration

Financing the Unemployment Insurance Trust Fund

Unemployment insurance is financed by both federal and state payroll taxes levied on employer payrolls. These payroll taxes are known as contributions. The Federal Unemployment Tax is used to finance all administrative expenses of the federal and state UI system and the federal costs involved in extended benefit programs. The Kansas unemployment tax is used solely for the payment of benefits to qualified unemployed workers.

Federal Unemployment Tax Act

Under the current FUTA, a federal payroll tax of 6 percent is levied on the first $7,000 annual earnings paid to each employee. The federal unemployment tax rate fell to 6 percent on July 1, 2011, after remaining at 6.2 percent since 1985. As an incentive for states to maintain their own UI programs, federal law provides a tax credit offset up to the amount of the state's maximum tax rate for contributions paid timely into an approved UI fund. The maximum allowable tax rate by law in the state of Kansas is currently 5.4 percent, resulting in a 5.4 percent reduction of the FUTA tax rate for Kansas employers. All employers in Kansas, regardless of their unemployment experience, are allowed this credit.

FUTA Tax Rate	6.0%
(less) Employer Credit	5.4%
Net FUTA Tax	0.6%

Kansas Unemployment Tax

UI in Kansas is administered pursuant to the Employment Security Laws K.S.A. 44-701 et seq. All Kansas employers determined liable under the "contributing" provision of the law pay into the state's UI Trust Fund.

The system by which these taxes are assessed upon individual employers is referred to as experience rating. Experience rating assigns taxes based upon each employer's experience with unemployment relative to all other covered employers. For the majority of the employers in Kansas, taxes are not assessed on the total amount of wages paid during the calendar year, but are assessed on the amount of taxable wages paid during each calendar year.

Taxable Wage Base

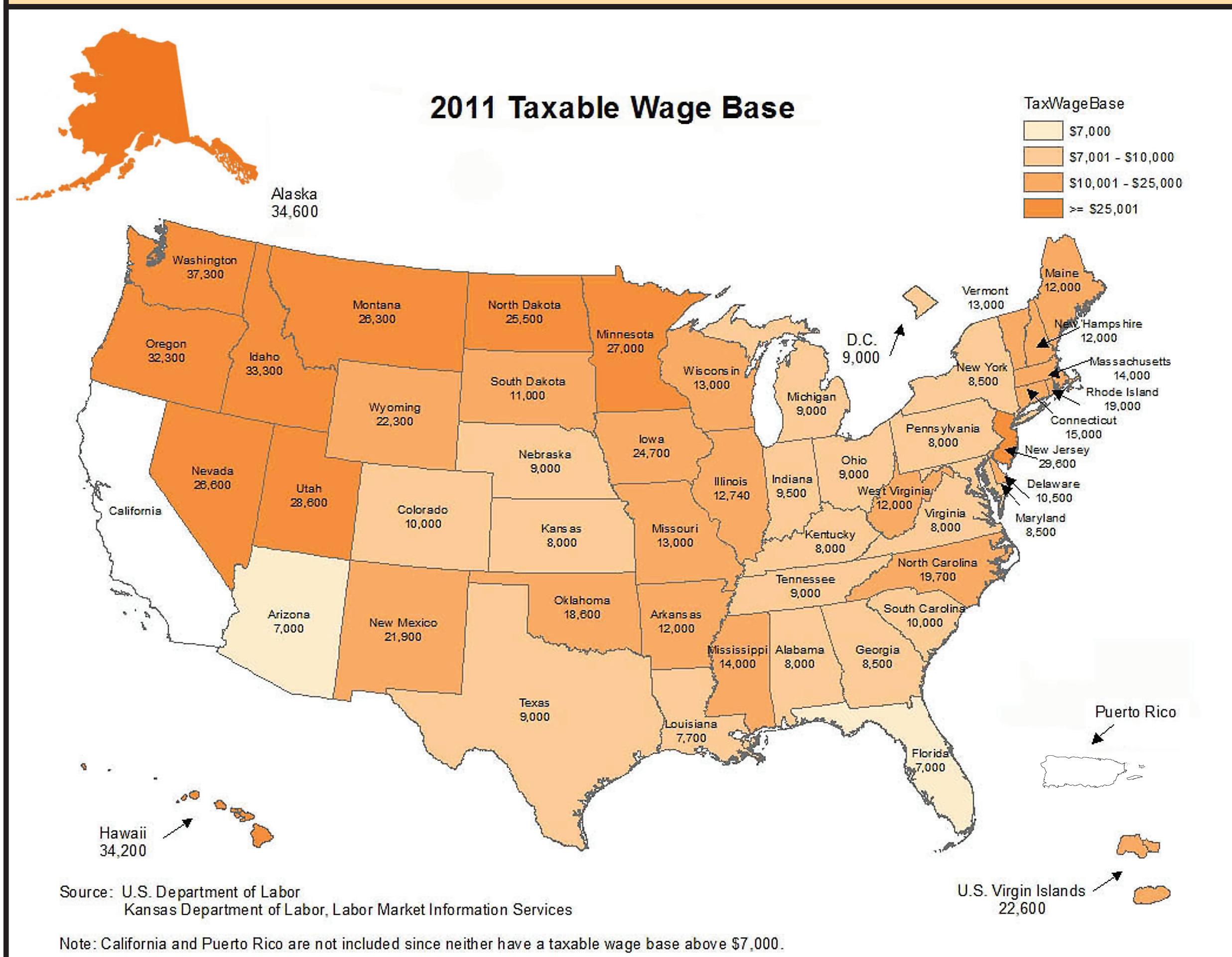
The taxable wage base refers to the dollar amount of wages paid to each employee that are subject to UI tax each year. The current taxable wage base in Kansas is the first $8,000 of covered wages paid to each employee. As previously stated, the federal tax base is $7,000. By federal law, states must have a tax base at least equal to the federal base. Any wages paid to employees beyond the amount of the taxable wage base are considered to be excess wages and are not subject to UI tax. Table 4, on the following page, summarizes the changes in the taxable wage base and the average annual wage for covered employees in order to illustrate the relative size of the wage base. Following that is Map 1, which depicts the taxable wage base of all U.S. states and territories.

Time Period	Taxable Wage Base	Average Annual Wage, 1st Year of Time Period	Wage Base as Percent of Average Annual Wages, 1st Year of Time Period
1938 - 1971	$3,000	$1,173	255.8
1972 - 1977	4,200	6,949	60.4
1978 - 1982	6,000	10,986	54.6
1983	7,000	16,059	43.6
1984 - 2010	8,000	16,462	48.6
2011 [a/]	8,000	39,991	20.0

Table 4
Taxable Wage Base
CY 1938-2011

[a/] 2011 data are provided for purposes of comparison
Source: Kansas Department of Labor, Labor Market Information Services

Map 1



Financing the Unemployment Insurance Trust Fund

Laws Affecting the Unemployment Insurance Tax Rates

Periodically, the governing bodies in Kansas have enacted legislation designed to reduce the amount of UI tax that Kansas employers pay into the Trust Fund.

This occurred in 1994 when the Trust Fund balance reached a high of $735.4 million. In an effort to reduce the Trust Fund balance and circulate more money into the Kansas economy, the 1995 Legislature enacted a UI moratorium to be effective for rate years 1995 and 1996. This moratorium was extended through rate year 1999 and saved employers $555.9 million in taxes over the five years it was in effect. The yearly savings are listed in Table 5.

Table 5
Estimated Employer Savings Due to the Moratorium
CY 1995-1999

Year	Estimated Savings (millions)
Total	**$555.9**
1995	97.4
1996	103.8
1997	110.7
1998	119.8
1999	124.2

Source: Kansas Department of Labor, Labor Market Information Services

The moratorium reduced the tax rates for positive balance employers to zero. If the moratorium had not been enacted, the 1995 rates for those employers would have ranged from 0.05 to 3.68 percent. The tax rate for ineligible (new) employers was reduced from a maximum of 5.06 to 1. As of rate year 1996, the rates charged to negative balance employers changed from a range of 5.5 to 6.4, to rates ranging from 1.1 to 6. The moratorium was discontinued by the 1999 Legislature, effective beginning rate year 2000. At this time, tax rates were “phased-in” and continued at reduced rates through rate year 2002.

A second act of such legislation was enacted in 2007. Senate Bill 83 (2007 Session Laws, Ch. 16, S3, K.S.A. 44-710 a(a)(3)(c)), provided that positive balance experience rated employers receive reduced tax rates for each year that the UI Trust Fund balance maintains a level that has an AHCM of 1.2 or higher. As previously stated, an AHCM of 1.2 indicates the ability to satisfy benefit payments for more than 14 months. When this condition is met, employers in rate groups 1 through 5 receive a 100 percent tax rate reduction, employers in rate groups 6 through 28 receive a 50 percent reduction and employers in rate groups 29 through 51 receive a 40 percent reduction. Reduced rates were in effect under this law in calendar year (CY) 2007, CY 2008 and CY 2009. Employers received approximately $83 million in savings in 2007, $97.1 million in 2008 and $106 million in 2009 with these reduced rates. In total, over the three-year span, Kansas employers saved more than $286 million in contributions.

Financing the Unemployment Insurance Trust Fund

House Bill 2676 was passed in 2010 in response to the substantial increase that many Kansas employers experienced in their UI tax rates. The significant increase in the UI tax rates during CY 2010 could be attributed to multiple factors. The three primary factors explaining this increase were:

1. the slightly declining rate of employer contributions throughout the past four years,
2. the dramatic increase in benefit payments over the past three years and
3. the elimination of the reduced tax rates that employers had enjoyed throughout the past three years.

Although the 2010 contribution rate was set at 1.02 percent of total wages in order to provide the necessary planned yield ($406.9 million), employers were contributing at a reduced rate due to House Bill 2676. This law reduced tax rates for the employers in rate groups 1 through 32 and set the tax rates for all 51 rate groups for CYs 2010 and 2011. Additionally, House Bill 2676 allowed employers to make contribution payments up to 90 days late without interest accrual for the first three quarters of the calendar year.

In 2011, the contribution rate was set at 1.1 percent of total wages in order to provide the necessary planned yield ($420.9 million). However, the extension of House Bill 2676 reduced tax rates and resulted in a $75.8 million reduction in employer contributions.

Calculation of Kansas Unemployment Insurance Tax Rates

As noted in the previous sections, the UI Trust Fund is financed by taxes that are assessed against liable Kansas employers called contributions. The tax rate that each employer will be assigned depends on many factors. The most basic of these factors relates to the type of employer. Liable employers, under the Kansas Employment Security Law, fall into one of three main categories: reimbursing, rated governmental or contributing. The vast majority of liable employers in Kansas are required to be contributing employers. However, Kansas Employment Security Law specifies provisions that allow certain employers to elect either a reimbursing or a government rated method of contribution payment.

Reimbursing Method

This method of payment is only available to governmental entities, Indian Tribes and nonprofit organizations that are exempt under the Internal Revenue Code, Section 501(a) and specifically described in Section 501(c)(3). These employers are not provided a tax rate. Rather, this option requires that the employer simply reimburse the Trust Fund for 100 percent of any UI benefits that were 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 by filing a written request with the Secretary of Labor not later than 30 days prior to the beginning of the calendar year for which the change is to become effective.

Rated Governmental Method

This method of payment is only available to governmental entities. This method is similar to the reimbursing method in that election of the rated governmental payment option must be for a minimum of four complete calendar years. Also, once the minimum period has been satisfied, such employer may change their payment option by filing a written request with the Secretary of Labor not later than 30 days prior to the beginning of the calendar year for which the change is to become effective. Under this method, an employer reports the total amount of wages paid to each employee during each quarter of the calendar year and pays tax on this amount of total wages. There are two types of rated governmental employers: those who are eligible for a computed rate and those who are not eligible for a computed rate, also called "new" employers.

Ineligible Rated Governmental Employers

To be eligible for a computed rate, an employer must have 24 consecutive calendar months in which benefits could have been charged against the employer's account. All employers who are new and have not yet amassed 24 consecutive months of chargeability are assessed the same tax rate. This rate is based upon the unemployment experience of all rated governmental employers during the prior fiscal year ending March 31. The formula used to calculate this rate is shown below.

Tax Rate Calculation for New Rated Governmental Employers

$$\frac{\text{Total Benefits Paid (all governmental accounts)}}{\text{Total Wages Paid (all rated governmental accounts)}} \times 100 = \text{UI Tax Rate}$$

Eligible Rated Governmental Employers

Rated governmental employers who have met the chargeability requirement are eligible to receive a UI tax rate that is partly based on their unique experience with unemployment and partly based on the social cost of the UI program for all rated governmental employers. The first step in the UI tax rate calculation for eligible rated governmental employers is to compute an adjustment factor that will compensate for the social cost of the program. This social cost results from the fact that some benefits are paid to claimants without being charged to the employer's account. Reasons that benefits may be paid to a claimant but not charged to the employer include but are not limited to: after making reasonable efforts to preserve the work, an individual left work due to a compelling personal emergency, domestic violence, to enlist in the United States armed forces but was rejected or delayed entry, the individual entered into approved training, etc. Once computed, this adjustment factor is applied universally to distribute the cost of these noncharged benefits among all rated governmental employers. The formula used to calculate the adjustment factor is shown on the following page.

Adjustment Factor Calculation for Eligible Rated Governmental Employers

$$\frac{\text{Total Benefits Paid (all governmental accounts)}}{\text{Total Benefits Charged (all rated governmental accounts)}} = \text{Adjustment Factor}$$

The second step in the UI tax rate calculation for eligible rated governmental employers is to calculate an experience factor for each employer that is based on their unique experience with unemployment. The formula used to calculate the experience factor is shown below.

Experience Factor Calculation for Eligible Rated Governmental Employers

$$\frac{\text{Total Benefits Charged to the Employer's Account (preceeding FY ending March 31)}}{\text{Total Wages Paid by the Employer (average of the two preceeding FYs ending March 31)}} = \text{Experience Factor}$$

The final step in the UI tax rate calculation for eligible rated governmental employers is to multiply the adjustment factor by the experience factor for each employer. The result of this calculation is the employer's UI tax rate for the upcoming calendar year. While there is no maximum limit set on the tax rate that can be assigned, there is a minimum allowable tax rate. According to K.S.A. 44-710d(g)(3), no rated governmental employer's rate for any calendar year can be less than 0.1 percent. If the computed rate is less than 0.1 percent, it will be increased to meet the minimum requirement. All rated governmental employers, both new and eligible, will pay contributions equal to the amount of their tax rate multiplied by the total amount of wages paid during the calendar year.

Contributing Method

As previously noted, this method of payment is required for the vast majority of liable Kansas employers. Under this method, the amount of contributions that an employer is required to pay during a calendar year is calculated by multiplying the employer's tax rate by their taxable wages for each quarter of the calendar year. As discussed in the section titled "Taxable Wage Base," contributing employers must pay UI tax on the first $8,000 in wages that are paid to each employee during a calendar year. Any wages that are earned by an employee during that year beyond $8,000 are considered excess wages and are not taxed. The process by which tax rates are calculated for all contributing employers is specified in detail in K.S.A. 44-710a.

Ineligible Employers

As is the case with rated governmental employers, a contributing employer must amass 24 consecutive calendar months of chargeability immediately preceding the tax rate computation date to be eligible for a rate that is based on their UI experience. If they are a new employer and have not met the chargeability requirement, they are ineligible to receive a rate that is based on their experience and instead will be assigned a uniform rate that is based on their industry. All ineligible employers in the construction industry are assigned a rate of 6 percent. All ineligible employers whose businesses function in any industry other than construction are assigned a rate of 4 percent.

Eligible Employers
All employers who have amassed the necessary 24 consecutive calendar months of chargeability are eligible to receive a UI tax rate that is based, in part, on their experience with unemployment. The first step in this process involves computing a reserve ratio for each of these eligible employers. The formula for computing the reserve ratio is shown below.

Reserve Ratio Calculation for Contributing Employers

$$\frac{\text{Account Balance}}{\text{Average Annual Payroll}} \times 100 = \text{Reserve Ratio}$$

An employer's account balance is the difference between the total contributions paid and the total benefits charged. The total contributions paid includes contributions paid for all prior years and for the first and second quarters of the computation year, providing that all payments have been received on time. The total benefits charged include benefit payments which have been charged against the employer's experience rating account in all prior years and during the first and second quarters of the computation year. The average annual payroll is the average of the taxable payrolls for the last three calendar years immediately preceding the computation date (or the past two years for some new employers who have completed only two years of liability). There are two primary types of contributing employers who are eligible for a rate based on their experience with unemployment: those with negative account balances and those with positive account balances.

Negative Balance Employers
When the benefits charged to an employer's account exceed the taxes paid and credited to that account, the employer has a negative account balance, and thereby a negative reserve ratio. All eligible contributing employers with a negative account balance are assigned the maximum tax rate allowable by law. According to K.S.A. 44-710a(a)(2)(B), the maximum tax rate which must be assigned to negative balance employers is 5.4 percent. In addition to the maximum tax rate, negative balance employers are subject to a surcharge that is based upon the size of an employer's negative reserve ratio, such that a larger negative reserve ratio is associated with a larger surcharge. In CY 2010, surcharges for negative balance employers ranged from 0.2 to 2 percent, resulting in a UI tax rate of 5.6 to 7.4 percent. The distribution of negative reserve ratios and their associated surcharges can be found in Schedule II of K.S.A. 44-710a(a)(2)(E).

Senate Bill 77, passed in the 2011 legislative session, increased the maximum surcharge for a negative balance employer from 2 to 4 percent. The impact of this bill on negative balance employers was felt in CY 2012. In 2012 and each calendar year thereafter, the surcharge that a negative balance employer is subject to ranges from 0.3 to 4 percent. This results in a UI tax rate ranging from 5.7 to 9.4 percent. Senate Bill 77 designates a portion of this increased tax rate to the Employment Security Trust Fund and the remaining portion to a newly established interest assessment fund. The monies collected in the interest assessment fund will be for the purpose of paying the interest that is owed on Title XII loans borrowed from the federal government. Once the principal loan and all interest charges are paid, surcharges will range from 0.2 to 4 percent, with all funds designated to the state's Trust Fund.

Positive Balance Employers
All eligible employers who have a positive account balance are divided into 51 rate groups in accordance with the relative size of their reserve ratio in comparison to all other eligible positive-balanced contributing employers. These employers are placed in order, or arrayed, by reserve ratio with the highest placed in rate group 1 and the lowest placed in rate group 51. Higher reserve ratios receive a more favorable rate. The employers are arrayed such that relatively equal distributions of taxable wages are placed in each group, resulting in each group containing approximately 1.96 percent of the taxable wages paid by all eligible positive balance employers.

Based on their reserve ratios, each rate group is associated with an experience factor, found in Schedule I of K.S.A. 44-710a(a)(2)(D). This experience factor provides the basis of the UI tax rate that the employer ultimately receives. However, each of these experience factors must be adjusted to generate the necessary revenue needed in the Trust Fund, referred to as planned yield.

The planned yield represents the amount of revenue to be raised pursuant to statutory formula with the goal of maintaining Trust Fund solvency. The first step in determining the planned yield is to compute the reserve fund ratio (RFR). The formula for computing the RFR is shown below.

Reserve Fund Ratio

$$\frac{\text{Total Assets in Trust Fund}}{\text{Total Payroll (all contributing employers)}} \times 100 = \text{RFR}$$

The RFR is computed by dividing the total amount of assets in the Trust Fund as of July 31, by the total amount of wages paid by all contributing employers during the preceding fiscal year. The RFR is then translated into the percentage of total payroll required to generate the planned yield using Schedule III of K.S.A. 44-710a(a)(2)(E). However, employers are not taxed based on their total payroll; they are taxed based on their taxable payroll, which represents the first $8,000 of wages paid to each of their employees during a calendar year. Therefore, the percentage of total wages that is derived using Schedule III must be converted into a percentage of taxable wages. This conversion, shown below, is done by multiplying the ratio of total wages to taxable wages by the tax rate derived in Schedule III. The resulting percentage is then multiplied by the total amount of taxable wages paid by all contributing employers during the previous fiscal year. This dollar figure represents the planned yield that will need to be generated during the upcoming calendar year.

Ratio of Total Wages to Taxable Wages for Contributing Employers

$$\frac{\text{Total Payroll (all contributing employers)}}{\text{Taxable Payroll (all contributing employers)}} = \text{Ratio of Total Wages to Taxable Wages}$$

Average UI Tax Rate Calculation for Contributing Employers

Average Tax Rate on Total Wages (Schedule III)	x	Ratio of Total Wages to Taxable Wages	=	Average Tax Rate on Taxable Wages

Calculation of Planned Yield

Average Tax Rate on Taxable Wages	x	Taxable Wages Paid (all contributing employers)	=	Planned Yield ($)

The first step in determining the tax rate that will be assigned to each individual positive balance employer is to determine the amount of yield that will need to be generated from positive balance employers as a group. In order to determine this, the estimated amount of yield that will be generated from negative balance and ineligible employers is deducted from the total planned yield. The remaining balance is the dollar amount that must be generated from the positive balance employers as a group and this is used to compute the tax rates that will be assigned to each of the 51 rate groups in order to generate that amount of yield.

The second step in determining the positive balance employer tax rates is to calculate the average tax rate that positive balance employers must pay in order to generate their portion of the planned yield. This calculation is shown below.

Average Tax Rate for Positive Balance Employers

$$\frac{\text{Planned Yield from Positive Balance Employers}}{\text{Taxable Payroll from Positive Balance Employers}} \times 100 = \text{Average Tax Rate}$$

Financing the Unemployment Insurance Trust Fund

The average tax rate for positive balance employers is computed by dividing the remaining dollar amount of planned yield that will need to be generated from positive balance employers as a group by the taxable wages that this group paid to their employees during the previous fiscal year. This percentage is then multiplied by the experience factors assigned to each of the 51 rate groups, identified in Schedule I of K.S.A. 44-710a(a)(2)(D). The process of multiplying the experience factors by a uniform percentage ensures the integrity of the experience rating process such that employers with higher reserve ratios and lower experience factors will receive lower UI tax rates.

Tax Rate Compression for Eligible Positive Balance Employers
Depending on the size of the average UI tax rate, this may result in certain rate groups being assigned a tax rate that exceeds the maximum 5.4 percent tax rate that is currently allowable by law. If this occurs, all rate groups whose tax rate exceeds the maximum will be set at 5.4 percent. This will reduce the amount of yield that is generated from these employers. Therefore, the tax rates assigned to all of the other rate groups must be adjusted to generate additional yield and compensate for the reduction of those groups which exceed the maximum. When this process occurs, an adjustment factor is calculated and uniformly applied to the experience factors of all remaining rate groups, once again ensuring that the integrity of the experience rating process is maintained and the burden of generating additional revenue is proportionately distributed based on the employers' experience with unemployment.

If the compression process does not increase the tax rate of any of the remaining rate groups above the 5.4 percent maximum, the resulting tax rates will be assigned to each of the 51 rate groups. However, if the compression process does increase the tax rate of additional rate groups above 5.4 percent, the compression process will be repeated. All of the groups exceeding the maximum tax rate will be set at 5.4 percent and the tax rates of all groups not exceeding the maximum will be proportionately increased to compensate for the reduction in yield. As of CY 2011, employers are notified of their tax rates in November and must pay the tax rate assigned to their respective rate group on all taxable wages paid between January 1 and December 31 of the upcoming calendar year.

Unemployment Insurance Benefits

To be eligible for benefits, Kansas law requires that the claimant:

1. be unemployed,
2. make a valid claim for benefits,
3. have insured earnings in two or more quarters of the base or alternative base period and total wages in the base or alternative base period equal to or greater than 30 times the weekly benefit amount (WBA),
4. be able, available and actively seeking work and
5. in most circumstances, serve a one-week waiting period.

Historically, claimants have been eligible to receive up to 26 weeks of regular UI benefits. However, during the recent economic recession, the duration of benefits that were available to eligible claimants were temporarily extended. In 2011, after exhausting their regular benefits, eligible claimants could received Emergency Unemployment Compensation (EUC) benefits and Extended Benefits (EB). Table 6 provides a brief depiction of the various benefit programs for which claimants may have been eligible at the end of 2011. In total, an individual in 2011 may have received up to 86 weeks of UI benefits. In 2012, the number of payable weeks has been reduced.

Table 6

What unemployment benefits are available?

Up to 86 weeks of unemployment benefits available

Kansas
Department of Labor

26 weeks	20 weeks	14 weeks	13 weeks	13 weeks
Regular Unemployment Benefits	**Emergency Unemployment Compensation 2008 (EUC 08) Benefits**	**Tier II EUC Benefits**	**Tier III EUC Benefits**	**State Extended Benefits**
★ Available for up to 26 weeks (length depends on employment history and earnings). ★ To receive unemployment benefits, you must be: • Able and available to work; • Actively seeking employment; and • Unemployed due to no fault of your own.	★ Program began July 6, 2008. ★ Up to 20 weeks of extended unemployment benefits are available under the Emergency Unemployment Compensation (EUC08) Act. ★ Workers potentially eligible for extended benefits: • Have filed a valid UI claim effective May 2, 2006, or after; • Are not eligible for a new state unemployment insurance claim in any state or in Canada. • Have had 20 weeks of full-time insured employment or the equivalent in insured wages; and • Are fully or partially unemployed on or after July 6, 2008, and meet all eligibility criteria such as being ready, willing and able to work. ★ This tier is still active and eligible workers may apply for these benefits through Dec. 31, 2011. ★ **The EUC program will expire on Dec. 31, 2011, unless action is taken by Congress to extend these benefits.**	★ Effective June 7, 2009. ★ Originally provided up to 13 weeks of additional benefits. ★ Legislation passed on Nov. 6, 2009, extended the total weeks available from 13 to 14. One-week extension effective week ending Nov. 14, 2009. ★ Nov. 6 legislation removed a requirement that the state's average seasonally adjusted unemployment rate be 6.0 percent or higher for three consecutive months in order to trigger on to the program. ★ If you received EUC Tier I benefits, you are likely to be eligible for Tier II benefits; benefits will roll over from Tier I to Tier II and claimants will not need to fill out an additional application if you are not eligible for a new state unemployment insurance claim in any state or in Canada. ★ This tier is still active and eligible workers may apply for these benefits through Dec. 31, 2011. ★ **The EUC program will expire on Dec. 31, 2011, unless action is taken by Congress to extend these benefits.**	★ Effective Nov. 8, 2009. ★ Up to an additional 13 weeks of benefits are available under Tier III EUC. ★ To be eligible for Tier III benefits, individuals must meet the following criteria: • Exhausted regular state; • Exhausted original EUC benefits; • Exhausted Tier II EUC benefits; and • Not eligible for a new state unemployment insurance claim in any state or in Canada. ★ This tier is still active and eligible workers may apply for these benefits through Dec 31, 2011. ★ **The EUC program will expire on Dec. 31, 2011, unless action is taken by Congress to extend these benefits.**	★ The first week a Kansas claimant was eligible for state extended benefits was the week ending Aug. 8, 2009. ★ Up to 13 weeks of additional benefits are available through the State Extended Benefits program. ★ The State Extemded Benefits program "triggers on" when the Kansas seasonally adjusted unemployment rate meets certain criteria. Kansas was "triggered on" because the average three-month unemployment rate was at or above 6.5 percent AND was 110 percent of the unemployment rate of the same three-month period at any time during the last three years (the "look-back provision"). Beginning Jan. 1, 2012, the "look-back provision" will change to comparing the current three-month average unemployment rate to the previous same period two years back instead of the previous three years back. Kansas no longer meets the criteria to be "triggered on" for State Extended Benefits.
Funded 100% with State UI Trust Fund	Funded 100% with Federal Funds	Funded 100% with Federal Funds	Funded 100% with Federal Funds	Funded 100% with Federal Funds through the week ending **Jan. 7, 2012**

K-BEN-P 0969 *Last Updated 12-13-11*

Unemployment Insurance Benefits

Regular Program

As previously stated, an individual may qualify for up to 26 weeks of regular program benefits, depending on their earnings history. When an individual receives UI benefits, they receive a set dollar amount each week, referred to as their weekly benefit amount (WBA). The WBA is computed as 4.25 percent of the claimant's highest paid quarter in the base period. The standard base period is defined as the first four of the last five completed calendar quarters prior to the effective date of the claim. If the claimant is unable to establish entitlement using the standard base period, an alternate base period is used. The alternate base period is defined as the last four completed calendar quarters prior to the effective date of the claim or the last four calendar quarters immediately preceding the date of a qualifying workers compensation injury.

The number of weeks for which a claimant may qualify is dependent on total wages in the base or alternative base period. Since potential duration is calculated as the lesser of 26 times the WBA or one-third of total wages in the base or alternative base period, a period less than 26 weeks may result. For example, if an eligible claimant earned $5,000 in one quarter of their base period and $3,000 in each of the other three quarters, he is entitled to a determined WBA of $212 ($5,000 x 4.25%). He is entitled to a total benefit amount of $4,666, the lesser of 26 weeks times the WBA ($212 x 26 weeks = $5,512) or one-third of the total base period wages ($14,000 x 1/3 = $4,666). Therefore, this claimant could claim up to 22 weeks at $212 per week.

There are several factors which may affect the monetary amount a claimant is issued each week, as well as the total amount they will receive in UI benefits. One such factor pertains to whether a claimant has worked and accumulated additional earnings in any given week. A claimant may earn in wages up to 25 percent of their WBA before a reduction in the WBA is applied. A UI claimant must qualify for and exhaust all of their regular program benefits before they are eligible to apply for the additional benefit programs.

Emergency Unemployment Compensation (EUC)

On June 30, 2008, due to a substantial increase in individuals claiming UI resulting from the economic recession, Congress passed the Emergency Unemployment Compensation (EUC) Act, which was followed by the American Recovery and Reinvestment Act (ARRA). Both the EUC and ARRA are 100 percent federally funded programs which provide benefits to individuals who have exhausted their regular program benefits. The first phase of this program became effective on July 6, 2008, and provided up to 13 additional weeks of benefits to eligible claimants. A second phase became effective on November 23, 2008, and provided up to seven additional weeks of benefits. The first two phases were combined, known as Tier I, and became effective in all states. As economic conditions continued to deteriorate, Congress enacted Tier II which became effective in every state on June 7, 2009, and provided up to 14 weeks of additional benefits. On November 8, 2009, Congress enacted Tier III which provided up to 13 additional weeks of benefits to eligible states. In order to be eligible for Tier III, a state must have either a three month seasonally adjusted total unemployment rate of at least

6 percent or a 13-week insured unemployment rate of at least 4 percent. Congress also enacted Tier IV, which provided up to six weeks of additional benefits for states with either a three month seasonally adjusted total unemployment rate of at least 8.5 percent or a 13-week insured unemployment rate of at least 6 percent. Kansas did not qualify for Tier IV benefits.

On Dec. 17, 2010, the President signed the Unemployment Compensation Extension Act of 2010, which extended the expiration date of the EUC program to January 3, 2012. Individuals establishing benefit entitlement as of this date could collect the remainder of this entitlement through June 9, 2012. Tier III expired in Kansas on June 23, 2012.

The amount of EUC benefits for which an individual may qualify is based on the total benefit amount of their original regular program claim and will vary by Tier. The weekly benefit will remain the same throughout all EUC Tiers. For Tier I claims, the total benefit amount is 80 percent of the original UI claim total benefit amount. For Tiers II and III the total benefit amount is 50 percent of the original UI claim total benefit amount.

Extended Benefits (EB)

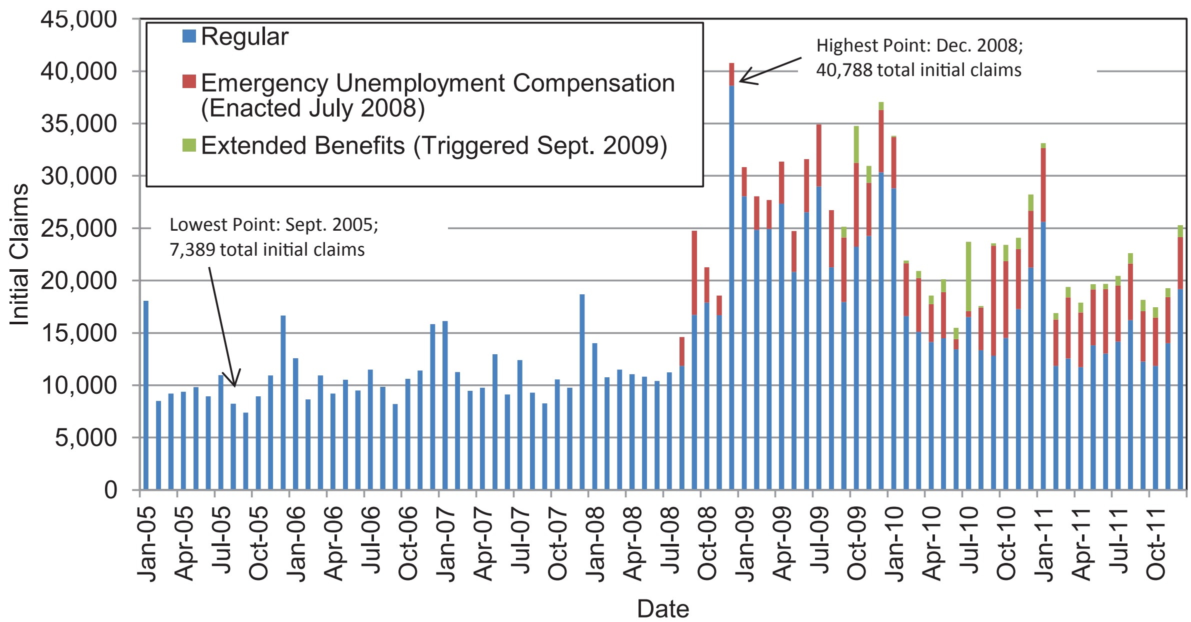
The State Extended Benefit (EB) program is a Federal-State cooperative that provides up to 13 weeks of additional benefits to eligible claimants. The EB program becomes effective when the state's seasonally adjusted unemployment rate is 6.5 percent or higher for three consecutive months. The program remains in effect until the state's seasonally adjusted unemployment rate falls below 6.5 percent for three consecutive months. The EB program became effective in Kansas on July 5, 2009. EB benefits were available throughout 2010 and 2011. Due to a decrease in the seasonally adjusted unemployment rate, Kansas was no longer eligible for EB benefits as of April 7, 2012.

In general, EB provided benefits to individuals who exhausted regular state and EUC benefits. Traditionally, the EB benefits are funded 50 percent federally and 50 percent with state funds. However, the ARRA of 2009 began 100 percent federal funding of EB for claims filed before January 1, 2010. The Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 extended 100 percent federal funding of EB to January 4, 2012.

The amount of EB that a claimant may be entitled to is equal to 50 percent of the total benefit amount of their original regular program claim. Additional information regarding the EB program can be found in K.S.A. 44-704a.

Graph 7 on the following page displays the number of initial claims filed by program from January 2005 through December 2011.

Graph 7
Initial Claims by Program
January 2005 - December 2011



Source: Kansas Department of Labor, Labor Market Information Services

Shared Work Program

In addition to the regular, EUC and EB programs, Kansas also offers a Shared Work program. This program was popular with Kansas employers during the recent recession. It allows participating employers to reduce operating costs and avoid layoffs. Eligible employers who participate in the Shared Work program can avoid laying off staff by scheduling them for reduced work hours. The employees then receive UI benefits to compensate for their shortened work schedule for a maximum of 26 weeks. In order to be eligible for the Shared Work Program, an employer cannot have a negative balance in their unemployment tax account, they must have established an experience rating and they cannot be delinquent on unemployment tax reports or payments.

To participate in this program, an employer must submit a Shared Work Plan application to the Kansas Department of Labor. The affected unit must employ two or more individuals. The employer must have reduced the normal weekly work hours for an employee in the affected unit by at least 20 percent, but no more than 40 percent, and the plan must apply to at least 10 percent of the employees in the affected unit who meet the monetary requirements for regular unemployment compensation. If the plan is approved by the Kansas Department of Labor, workers who qualify for UI benefits can receive both wages and Shared Work benefits. The Shared Work benefits are the percentage of regular UI benefits matching the reduction described in the employer's plan.

The affected employees at a participating company must be eligible for regular UI benefits in Kansas and be willing to accept all work offered by the employer during the period for which the claims are filed. They must be able and available for work and cannot work more than the reduced hours specified in the plan.

In 2010, a total of 307 Kansas employers participated in the Shared Work program. In 2011, that number decreased by 48.5 percent to 158 employers.

Weekly Benefit Amount

For all UI claims, there is a minimum and a maximum dollar amount that can be received each week. These figures are recalculated each state fiscal year (SFY) and apply to all claims filed on or after July 1. The maximum WBA for all claimants is calculated as 60 percent of the statewide average weekly wage paid to all employees in insured work for the preceding calendar year. The minimum WBA is calculated as 25 percent of the maximum. A claimant's WBA may not exceed the maximum amount allowable by law. For SFY 2013, the maximum WBA payable under Kansas state law is $456, while the minimum is $114. Table 7 provides a history of WBA data for state fiscal years 2004 through 2013.

Table 7
Weekly Benefit Amount (WBA)
Minimum, Maximum and Average
SFY 2004-2013

Fiscal Year	Minimum WBA	Maximum WBA	Average WBA
2004	$87.00	$351.00	$269.66
2005	89.00	359.00	268.78
2006	93.00	373.00	278.74
2007	96.00	386.00	290.62
2008	101.00	407.00	305.29
2009	105.00	423.00	337.01
2010	109.00	436.00	336.16
2011	108.00	435.00	315.01
2012	111.00	444.00	316.31
2013	114.00	456.00	N/A

N/A Not Available

Source: Kansas Department of Labor, Labor Market Information Services

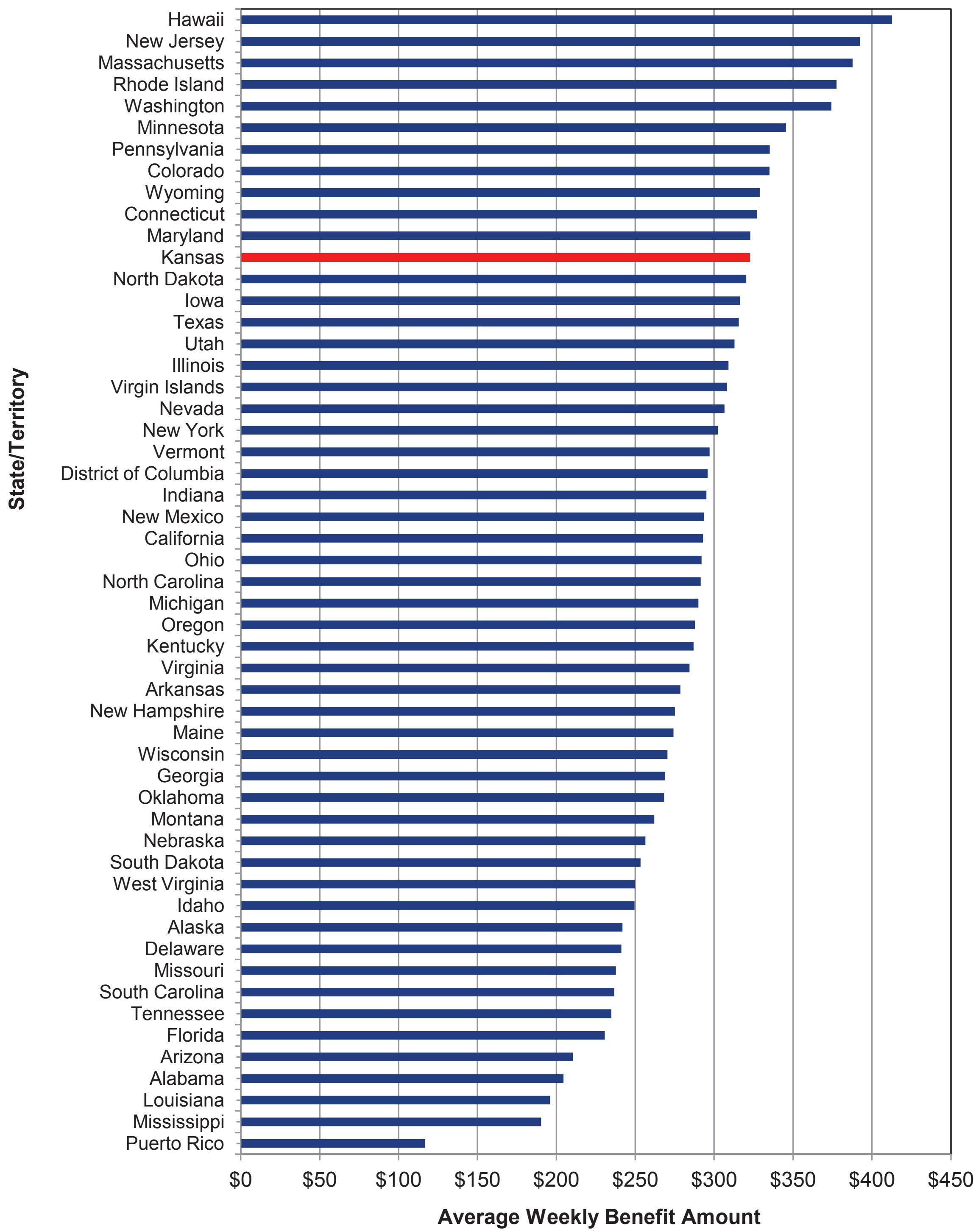
The primary measure used to gauge the extent to which UI benefit payments replace regular wages is a comparison of the average WBA to the average weekly wage of all workers in covered employment. In 2011, this figure was 41.6 percent. This indicates that benefit payments received by claimants in 2011 replaced, on average, approximately 42 percent of the weekly wage they earned while employed. Historical data are presented in Table 8 on the following page.

Table 8 Percent of Average Weekly Benefit Amount (WBA) to Average Weekly Wage CY 2002-2011			
Calendar Year	Average WBA	Average Weekly Wage	Percent of Average WBA to Average Weekly Wage
2002	272.86	586.86	46.5
2003	272.06	599.03	45.4
2004	267.27	621.87	43.0
2005	274.17	644.08	42.6
2006	283.85	678.69	41.8
2007	299.27	705.10	42.4
2008	310.93	727.88	42.7
2009	347.25	726.10	47.8
2010	319.10	740.41	43.1
2011	316.23	759.66	41.6

Source: Kansas Department of Labor, Labor Market Information Services

Graph 8 on the next page provides the average weekly benefit amount paid by all U.S. states and territories in calendar year 2011. During this time, Kansas paid the 12th highest average benefit amount in the nation. This figure is primarily driven by the maximum and minimum weekly benefit amounts, which are recalculated on a fiscal year basis. While the maximum weekly benefit amount in Kansas during FY 2012 ranked 22nd in the nation, the minimum weekly benefit amount during that time ranked 5th in the nation.

Graph 8
Average Weekly Benefit Amount
U.S. States and Territories
CY 2011



Source: U.S. Department of Labor, Employment and Training Administration

Average Duration

As previously shown in Table 6, in 2011 an individual could qualify for up to 26 weeks of regular program benefits, 47 weeks of EUC benefits and 13 weeks of extended benefits. The average duration represents the number of weeks, on average, that an individual receives UI benefit payments. For the 12-month period ending in December 2011, the average duration of a regular program claim, an EUC program claim and an EB claim was 15.9 weeks, 14.1 weeks and 11.1 weeks respectively. During the same time period, the average duration of UI claims for all programs combined was approximately 28.8 weeks. Table 9 provides a history of the duration for regular benefits for calendar years 2002 through 2011.

Table 9
Average Duration of Regular Program
CY 2002-2011

Calendar Year	Weeks of Duration
2002	15.8
2003	16.0
2004	16.1
2005	15.3
2006	14.4
2007	13.5
2008	13.9
2009	18.1
2010	17.9
2011	15.9

Source: Kansas Department of Labor, Labor Market Information Services

In 2011, the average duration of an unemployment insurance claim receiving all programs was approximately 30 weeks.

Unemployment Insurance Benefits

Benefit Claims

Initial claims include new and additional claims, representing new, emerging unemployment. Initial claims are not an actual count of persons since an individual may file two or more initial claims in a single year. For example, a worker may experience two separations from work due to plant shutdowns at various times of the year. Continued claims are an approximation of the number of weeks claimed by individuals. This does not represent a unique count of individuals, as claimants may claim more than one week of UI benefits in any given month or year. Historical data for calendar years 2002 through 2011 for the Regular, Shared Work, EUC and EB programs are presented in Table 10.

Regular initial claims were down in CY 2011 with 176,216 claims, a decrease of 11.1 percent from 2010. CY 2011 regular continued claims totaled 1,513,528, a decrease of 15.2 percent from 2010.

Table 10
Initial and Continued Claims
CY 2002-2011

		REG		WORKSHARE[a]		EUC08[b]		EB[c]	
Calendar Year	Individuals Receiving Payments	Initial Claims	Continued Claims	Initial Claims	Continued Claims	Initial Claims	Continued Claims	Initial Claims	Continued Claims
2002	112,662	182,656	1,443,587						
2003	126,075	198,398	1,574,682						
2004	104,403	144,479	1,199,429						
2005	81,993	127,056	1,021,082	2,520	12,454				
2006	74,019	128,815	887,185	1,976	8,720				
2007	76,115	137,682	897,500	2,621	11,400				
2008	101,868	181,575	1,108,076	17,885	101,201	18,191	82,864		
2009	179,365	298,620	2,366,839	23,368	227,205	58,287	852,761	6,907	54,339
2010	171,439	198,226	1,785,506	11,765	89,051	57,700	1,286,245	15,427	110,640
2011	140,352	176,216	1,513,528	3,723	31,132	63,647	1,052,450	9,952	86,488

[a] Historical workshare data not available prior to 2005
[b] EUC program began July 6, 2008
[c] EB program began July 5, 2009
Source: Kansas Department of Labor, Labor Market Information Services

State-by-State Comparison of Unemployment Insurance Statistics

In order to examine how Kansas compares to the rest of the nation, Table 11 on the following page offers a state-by-state comparison of the following UI statistics: total unemployment rate (TUR), initial claims, weeks compensated, average duration of regular program claims, average weekly benefit amount (AWBA), AWBA as a percent of average weekly wage (AWW), average tax rate on taxable wages and the current taxable wage base.

- The TUR is the rate computed by dividing the total number of unemployed individuals by the total number of individuals in the civilian labor force. The civilian labor force is the sum of those individuals who are employed and unemployed. In order to be considered unemployed, an individual must be jobless, available for work and looking for work. In order to be considered a part of the civilian labor force, an individual must be 16 years of age or older.
- As previously described, initial claims include new and additional claims and represent new, emerging unemployment. They are not a count of individuals, as an individual may file more than one initial claim within a given year.
- The number of weeks compensated represents the number of weeks claimed for which UI benefits were paid. Weeks compensated for partial unemployment are included.
- The average duration represents the average number of weeks that an individual receives UI benefit payments for the regular program only.
- The AWBA represents the dollar amount that UI claimants receive each week on average.
- The AWBA as a percent of the AWW represents the extent to which the average weekly UI benefit payment amount replaces the average amount of regular wages earned while working.
- The average tax rate on taxable wages is computed as the total amount of employer contributions for a 12-month period divided by the total amount of taxable wages paid during the same time period.
- The taxable wage base reflects the maximum dollar amount of an employee's wages that are subject to UI tax.

The Kansas total unemployment rate of 6.7 percent ranked 42nd among 53 states and territories, indicating that Kansas had a lower annual unemployment rate in 2011 than many other states.

Regarding employer contributions which fund UI benefit payments, 43 of 53 states and territories have a higher taxable wage base than the Kansas taxable wage base of $8,000. Additionally, Kansas ranked 44th when comparing the average tax rate assessed on taxable wages, meaning that 43 states reported higher average tax rates than Kansas. Kansas ranked 33rd when comparing the average tax rate assessed on taxable wages, meaning that 32 states and territories reported higher average tax rates than Kansas. It is important to note that the data used to compute the average tax rate on taxable wages has a lag time of six months. Therefore, this statistic does not include activity occurring during the last six months of calendar year (CY) 2011.

State-by-State Comparison of Unemployment Insurance Statistics

Table 11
State-by-State Comparison of Unemployment Insurance Statistics
CY 2011

State	Total Unemployment Rate (%)	Initial Claims	Weeks Compensated	Average Duration (Weeks)	Average WBA	AWBA as % of AWW	Average Tax Rate on Taxable Wages (%)	Taxable Wage Base
Alabama	9.0%	328,375	1,884,954	15.0	$204.53	26.7%	3.72%	$8,000
Alaska	7.6%	102,025	729,025	19.9	$241.81	26.4%	2.28%	$34,600
Arizona	9.5%	288,423	2,728,493	17.6	$210.57	25.1%	2.18%	$7,000
Arkansas	8.0%	223,439	1,446,679	15.5	$278.50	39.7%	3.31%	$12,000
California	11.7%	3,345,728	25,441,893	18.9	$292.95	28.1%	5.22%	$7,000
Colorado	8.3%	194,648	2,058,045	16.0	$334.99	36.1%	3.24%	$10,000
Connecticut	8.8%	284,617	2,963,072	18.3	$327.20	27.9%	3.90%	$15,000
Delaware	7.3%	63,279	541,933	21.1	$241.20	25.1%	2.68%	$10,500
District of Columbia	10.2%	44,909	560,003	20.2	$295.88	20.8%	2.72%	$9,000
Florida	10.5%	904,719	7,017,389	18.7	$230.66	28.7%	3.21%	$7,000
Georgia	9.8%	707,596	3,594,078	13.3	$268.92	31.7%	2.45%	$8,500
Hawaii	6.7%	103,795	659,059	18.3	$412.74	52.9%	2.31%	$34,200
Idaho	8.7%	141,961	927,803	14.5	$249.51	37.2%	2.87%	$33,300
Illinois	9.8%	771,929	9,656,017	19.0	$309.16	32.0%	4.20%	$12,740
Indiana	9.0%	416,191	2,899,398	14.8	$295.09	38.8%	3.16%	$9,500
Iowa	5.9%	209,341	1,536,467	14.2	$316.40	42.8%	2.60%	$24,700
Kansas	6.7%	176,216	1,355,060	15.9	$322.43	42.8%	2.63%	$8,000
Kentucky	9.5%	314,483	2,009,070	16.5	$286.94	38.5%	3.54%	$8,000
Louisiana	7.3%	196,168	1,843,410	18.1	$195.90	24.4%	1.85%	$7,700
Maine	7.5%	91,126	701,076	15.9	$274.21	38.3%	2.91%	$12,000
Maryland	7.1%	310,040	2,535,342	18.2	$322.83	33.4%	5.12%	$8,500
Massachusetts	7.4%	420,794	4,708,201	18.5	$387.65	34.1%	4.25%	$14,000
Michigan	10.3%	759,182	5,628,000	15.6	$289.97	33.4%	5.45%	$9,000
Minnesota	6.4%	338,593	2,809,650	16.3	$345.60	37.7%	2.21%	$27,000
Mississippi	10.7%	149,205	1,188,629	16.6	$190.33	29.1%	2.12%	$14,000
Missouri	8.6%	473,863	2,807,589	16.7	$237.70	30.4%	2.31%	$13,000
Montana	6.8%	75,252	602,843	19.7	$261.99	39.7%	1.75%	$26,300
Nebraska	4.4%	103,148	675,942	14.6	$256.43	35.6%	3.14%	$9,000
Nevada	13.6%	229,161	1,917,510	17.9	$306.58	37.3%	1.63%	$26,600
New Hampshire	5.4%	77,115	482,137	14.8	$275.19	30.8%	3.65%	$12,000
New Jersey	9.3%	612,749	7,096,614	19.7	$392.48	35.8%	2.91%	$29,600
New Mexico	7.4%	99,477	998,134	20.1	$293.49	39.5%	1.58%	$21,900
New York	8.2%	1,361,455	12,200,034	19.4	$302.34	25.6%	4.61%	$8,500
North Carolina	10.5%	746,254	5,021,445	16.3	$291.39	36.6%	2.10%	$19,700
North Dakota	3.5%	30,520	195,737	12.6	$320.31	42.5%	1.30%	$25,500
Ohio	8.6%	669,981	4,811,196	17.8	$291.98	36.1%	3.69%	$9,000
Oklahoma	6.2%	166,229	1,116,959	17.1	$268.14	36.4%	1.87%	$18,600
Oregon	9.5%	441,849	2,897,642	16.6	$287.92	35.6%	2.96%	$32,300
Pennsylvania	7.9%	1,371,356	9,909,169	18.7	$335.18	37.8%	6.34%	$8,000
Puerto Rico	15.7%	156,314	2,015,879	20.0	$116.84	23.3%	3.53%	$7,000
Rhode Island	11.3%	92,615	754,540	16.8	$377.58	44.0%	3.76%	$19,000
South Carolina	10.3%	295,455	1,954,117	15.2	$236.67	32.6%	3.41%	$10,000
South Dakota	4.7%	23,108	149,107	13.9	$253.37	38.4%	1.44%	$11,000
Tennessee	9.2%	387,840	2,688,092	15.3	$234.81	29.3%	3.37%	$9,000
Texas	7.9%	916,771	8,178,306	16.5	$315.55	34.4%	3.07%	$9,000
Utah	6.7%	112,259	918,958	14.6	$312.81	41.4%	1.26%	$28,600
Vermont	5.6%	50,883	413,764	16.3	$297.07	39.1%	3.96%	$13,000
Virgin Islands	N/A	4,816	54,075	17.2	$308.04	41.3%	0.36%	$22,600
Virginia	6.2%	363,525	2,283,129	16.8	$284.47	30.4%	2.52%	$8,000
Washington	9.2%	551,489	4,010,107	17.0	$374.31	39.8%	2.23%	$37,300
West Virginia	8.0%	89,092	791,802	16.2	$249.67	34.6%	3.13%	$12,000
Wisconsin	7.5%	698,589	4,588,323	16.2	$270.49	34.7%	4.14%	$13,000
Wyoming	6.0%	38,480	290,062	16.0	$328.89	40.4%	2.81%	$22,300

Source: United States Department of Labor, Employment and Training Administration

Unemployment Insurance Law Changes

The 2011 Kansas Legislature made changes to the Kansas Employment Security Law through passage of Senate Bill 77 and House Bill 2135. A brief explanation of the major changes resulting from these bills and executive orders is provided below. Employment Security Law changes from 1996 through 2010 are provided on the following pages.

2011 LAW CHANGES

1. K.S.A. 44-703(o)(1) [Effective 5-19-2011]
   Added explanation and clarification to taxable wage base reporting. The verbiage “in excess of” was added to emphasize earnings over the threshold were excess.

2. K.S.A. 44-703(i)(1)(B) [Effective 7-1-2011]
   Addressed changes made to the usual Common Law interpretations of Employer-Employee relationships as defined in K.S.A. 44-703(i)(3)(D). This directs investigations to encompass the totality of the situation and a consistent practice in investigations.

3. K.S.A. 44-703(i)(3)(D) [Effective 7-1-2011]
   Defines the changes related to the Contract of Hire guidelines and establishes that determinations will be based on facts that the business/employer retains not only the right to control the end results of the activities of the individual, but also the manner and means by which the end result is accomplished.

4. K.S.A. 44-704a(a)(2)(A) [Effective 7-1-2011]
   Provides the explanation for the requirements for the “Trigger On” for extended unemployment insurance benefits. This provides a change from “either or” to “and” of factors. This also establishes a three-year look back process from the previous two-year plan.

5. K.S.A. 44-704a(a)(2)(B)(i) [Effective 7-1-2011]
   Establishes the guidelines for the “Trigger Off” of extended unemployment insurance benefits.

6. K.S.A. 44-705(d)(2) [Effective 7-1-2011]
   Changes the “waiting week” process by removing the eligibility requirements for payment of the waiting week. This included the rescinding of section 44-705(d)(3).

7. K.S.A. 44-706(a)(4) [Effective 7-1-2011]
   Establishes a change to acceptance for voluntarily leaving employment to relocate with family or spouse. This limits the exception to the spouse of a military member

8. K.S.A. 44-710(b) [Effective 7-1-2011]
   Establishes guidelines for tax rates and base of contributions and extends the current tax rate tables through the years 2011, 2012, 2013 and 2014. This maintains tax rate groups 1-32 as positive balanced accounts and tax rate groups 33-51 as maximum rate positive balance groups.

9. K.S.A. 44-710(b) [Effective 7-1-2011]
   Allows for the establishment of the Surcharge Tax Rate for negative balanced employers by developing a new surcharge rate schedule for calendar years 2012, 2013, 2014 and then establishes a separate schedule for years after 2014. This surcharge is developed to repay Title XII loans of the Social Security Act.

10. K.S.A. 44-710a(e) [Effective 7-1-2011]
    Established the state treasury fund for all monies collected for the repayment of Title XII loans. The fund will be the "Employment Security Interest Assessment Fund."

11. K.S.A. 44-712(f) [Effective 7-1-2011]
    Established the authority for the Kansas Department of Labor to borrow funds from the Pooled Money Investment Board (PMIB) to fund debt obligations of loans from the federal government. This establishes the guidelines for the loans and the repayment processes.

12. K.S.A. 44-718(g)(1)(D) [Effective 7-1-2011]
    Establishes the authority for claimants to have State of Kansas withholding taxes deducted from their unemployment insurance benefit payments at a rate of 3.5 percent.

13. K.S.A. 44-766 [Effective 7-1-2011]
    Adds penalties for second and subsequent instances of knowingly and intentionally misclassifying workers.

14. K.S.A. 44-767 [Effective 7-1-2011]
    Establishes that the Secretary of Labor or the secretary's designee shall make all classification decisions pursuant to K.S.A. 44-703(i)(3). It establishes a mechanism whereby the Kansas Department of Revenue shall gather and submit information to the Secretary of Labor for classification determinations, and the binding effect of the Secretary's decision on the Department of Revenue.

15. K.S.A. 44-768[Effective 7-1-2011]
    Provides the Secretary shall make the determination of employment required by K.S.A. 44-703(i)(3)(D), and amendments thereto, by examining the totality of the circumstances in which the individual renders service and shall exercise strict impartiality in the conduct of any such determination. In making that decision, the Secretary shall seek to determine whether the business had a "reasonable basis" for the classification. "Reasonable basis" is defined in the statute.

    If there is not a "reasonable basis," then the Secretary shall consider eight factors set forth in statute for the determination of whether a worker is an employee or independent contractor. The statute also directs the Secretary to educate business by assisting the business in identifying facts which may establish either classification.

2010 LAW CHANGES

1. K.S.A. 44-710(b)(1) [Effective 7-1-2010]
   Establishes special rate provisions for calendar years 2010 and 2011 for tax rate groups 1 through 32 and establishes the 5.4 percent cap for rate groups 33 through 51.

2. K.S.A. 44-717(a)(1) [Effective 7-1-2010]
   Establishes a special 90 day payment extension option for the first three calendar quarters of the calendar years 2010 and 2011. This option provides for no tax payments or interest assessments for the 90 day approved extension period. The original penalty provisions apply to the filing of reports. The original interest charge provisions also apply if the 90 day extension period is exceeded.

3. K.A.R. 50-2-21(a) [Effective 7-1-2010]
   Computation of employer contribution rates for calendar years 2010 and 2011.
   (1) Contribution Rate definition.
   (2) 2010 original tax rate computation definition and process explanations and expiration.

2009 LAW CHANGES

1. K.S.A. 44-703(a)(1)(A) and (B) [Effective 7-1-2009]
   Provides claimants with the possibility of an Alternative Base Period.

2. K.S.A. 44-703(s) [Effective 7-1-2009]
   Added the job training program authorized under the Workforce Investment Act of 1998.

3. K.S.A. 44-704c(a) and (b) [Effective 7-1-2009]
   Allows for approved training programs to be eligible for up to 26 weeks of additional benefits. It also provides guidelines for claimants on a shared work plan and additional benefit qualifications processes.

4. K.S.A. 44-705(c)(1) and (2) [Effective 7-1-2009]
   Provides chapter clarification and explanation and adds paragraph (B) to explain qualification for part-time employment and benefit eligibility.

5. K.S.A. 44-706(b)2 [Effective 7-1-2009]
   Removes the language “Uniform Controlled Substances Act” and replaces it with “Section 1.”

2008 LAW CHANGES

1. K.S.A. 44-710(a) [Effective 7-1-2008]
   Changes the reportable contributions amount for any calendar quarter from less than $1 to less than $5.

2. K.S.A. 44-717(h) [Effective 7-1-2008]
   Changes the refund amount from $1 or greater to $5 or greater.

3. K.S.A. 44-717(k) [Effective 7-1-2008]
   Mandates employers and third party administrators to file contribution returns and to pay any contributions, benefit cost payments or reimbursing payments by electronic means.

4. K.S.A. 44-717(k)(1) [Effective 7-1-2008]
   Mandates employers and third party administrators, after June 30, 2008, with 250 or more employees or client employees file all contributions returns and any subsequent payments electronically.

5. K.S.A. 44-717(k)(2) [Effective 7-1-2008]
   Mandates employers or third party administrators, after June 30, 2009, with 100 or more employees or client employees file all contributions returns and any subsequent payments electronically.

6. K.S.A. 44-717(k)(3) [Effective 7-1-2008]
   Mandates that any third party administrator, after June 30, 2010, with 50 or more client employees file all contributions returns and pay any subsequent payments electronically.

2007 LAW CHANGES

1. K.S.A. 44-703(h)(2)(A)(iii) [Effective 1-1-2007]
   An employer may elect to establish an unemployment tax account at time of initial registration.

2. K.S.A. 44-703(i)(4)(Y) [Effective 7-1-2007]
   The term “employment” will not include services performed by an owner-operator of a motor vehicle that is leased or contracted to a licensed motor carrier with the services of a driver and is not treated under the terms of the lease agreement or contract with the licensed motor carrier as an employee.

3. K.S.A. 44-705 [Effective 7-1-2007]
   The waiting week requirement shall not apply to claimants who become unemployed as a result of an employer terminating business operations in Kansas, declaring bankruptcy or initiating a work force reduction under the Workforce Adjustment & Retraining Notification Act. If a claimant does not fall under one of these three categories, they may be paid for their waiting week upon completion of three weeks of unemployment consecutive to such waiting period.

4. K.S.A. 44-710a(a)(1)(B) [Effective 1-1-2007]
   Employers who are not eligible for a rate computation shall pay contributions at the rate of 4 percent, except for employers engaged in the construction industry who shall pay at the rate of 6 percent.

5. K.S.A. 44-710a(a)(3)(C) [Effective 1-1-2007]
   Employers current in filing their quarterly wage reports and in payment of all UI taxes shall be issued reduced rates – for rate groups 1 through 5, rate will be zero percent; rate groups 6 through 28, rates are reduced by 50 percent; and rate groups 29 through 51, rates are reduced by 40 percent. If the average high cost multiple falls below 1.2, employers will not be eligible for these reduced rates.

5. K.S.A. 44-712(b) [Effective 7-1-2007]
   Provides for the issuance of debit cards to pay a claimant his or her weekly unemployment benefits – eliminates the need to mail a paper warrant.

6. K.S.A. 44-717(b)(3) [Effective 7-1-2007]
   Removes the prime-contractor’s responsibility clause from the law.

2006 LAW CHANGES

1. K.S.A. 44-765 [Effective 7-1-2006]
   In determining whether an employment relationship exists between a licensed motor carrier and a

driver, the fact that the licensed motor carrier, pursuant to a lease agreement, requires the driver to comply with applicable provisions of the regulations of the state corporation commission, federal motor carrier safety administration or other federal agency having jurisdiction of motor carriers shall not be considered as the licensed motor carrier's exercise of control over the driver.

2. K.S.A. 44-766 [Effective 7-1-2006]
   No person shall knowingly and intentionally misclassify an employee as an independent contractor for the sole or primary purpose of avoiding either state income tax withholding and reporting requirements of state unemployment insurance contributions reporting requirements.

2005 LAW CHANGES

1. K.S.A. 44-703(o) [Effective 1-1-2006]
   Excludes from the term "wages" payments to a health savings account if such payments can be excluded from income under the federal internal revenue code of 1986.

2. K.S.A. 44-706(u) [Effective 7-1-2005]
   If an individual is hired while charges are pending for a disqualifying felony under K.S.A. 39-970 or K.S.A. 65-5117, is convicted of the crime and is subsequently discharged from employment because of the conviction, the individual is disqualified for benefits.

3. K.S.A. 44-706(b)(2) [Effective 7-1-2005]
   Breath alcohol testing is an acceptable means of testing and a positive breath test result is defined as being .04 or greater. Parameters are established for chemical testing and to define positive chemical test results in accordance with the levels listed in K.S.A. 44-501 of the Workers Compensation Act.

4. K.S.A. 44-710a(b) [Effective 1-1-2006]
   These amendments address the problem of unlawful transfers and the manipulation of State experience rating system which is known as SUTA dumping – or State Unemployment Tax Avoidance.

   Mandatory Transfers. Unemployment experience must be transferred whenever there is substantially common ownership, management or control of two employers, and one of these employers transfers its trade or business (including its workforce), or a portion thereof, to the other employer. This requirement applies to both total and partial transfers of business.

   Prohibited Transfers. Unemployment experience may not be transferred. When a person who is not an employer acquires the trade or business of an existing employer, a new employer rate (or the state's standard rate) will be assigned. This prohibition applies only if the department finds that such person acquired the business solely or primarily for the purpose of obtaining a lower rate of contributions.

5. K.S.A. 44-716a [Effective 7-1-2005]
   Provides for funds in the special employment security fund to be utilized for the payment of fees assessed for electronic payments or credit card payments made by employers.

6. K.S.A. 44-719(f) [Effective 1-1-2006]
   Provides for civil and criminal penalties for employers or individuals "knowingly" violating or attempting to violate the requirements in K.S.A. 44-710a(b), dealing with mandatory and prohibited transfers. Penalty is also applicable to an individual who knowingly gives advice leading to such violation.

2004 LAW CHANGES

1. K.S.A. 44-703(i)(4)(M) [Effective 7-1-2004]
   This legislation removed the coverage for labor performed by an inmate of a custodial or correctional institution when performed for a private for-profit employer. Employers are no longer required to report and pay contributions on such employment.

2. K.S.A. 44-710a(b)(4) [Effective 7-1-2004]
   This legislation was amended by adding clarifying language to the process used by the department in assigning the applicable contribution rate to a successor employer.

3. K.S.A. 44-706(a) [Effective 7-1-2004]
   If an individual fails to return to work after expiration of an approved personal or medical leave, they will be deemed to have quit their employment.

4. K.S.A. 44-706(b)(1) [Effective 7-1-2004]
   Failure of the employee to notify the employer of an absence shall be "considered prima facie evidence of a violation of a duty or obligation reasonably owed the employer as a condition of employment."

5. K.S.A 44-706(b)(3)(A) [Effective 7-1-2004]
   The definition of "misconduct" for absences or lateness has been expanded to include incarceration, resulting in absence from work of three days or longer, excluding Saturdays, Sundays and legal holidays.

6. K.S.A 44-706(b)(3)(B) [Effective 7-1-2004]
   If the employee alleges that the employee's repeated absences were the result of health related issues, the evidence shall include documentation from a licensed and practicing health care provider.

7. K.S.A. 44-706(t) [Effective 7-1-2004]
   If an employee fails a pre-employment drug screen test required by the employer and the discharge occurs not later than seven days after the employer is notified of the result of such drug screen, this will be construed as misconduct.

8. Executive Reorganization Order No. 31 [Effective 7-1-2004]
   Sec. 2. On the effective date of this order, the Department of Human Resources is hereby renamed the Department of Labor, and the Secretary of Human Resources is hereby renamed the Secretary of Labor.

Unemployment Insurance Law Changes

2003 LAW CHANGES

1. K.S.A. 44-703, 44-704, 44-706, 44-710, 44-757 [Effective 7-1- 2003]
   This bill provides for two weeks of additional benefits to individuals exhausting regular and any federal or state extended benefits during the period July 1, 2003, through June 30, 2004. It eliminates the deduction for social security and railroad retirement benefits. It exempts from employment for unemployment tax purposes certain alien agricultural workers.

2. K.S.A. 44-706, 44-760, 44-761, 44-762, 44-763, 44-764 [Effective 7-1- 2003]
   This legislation makes victims of domestic violence eligible for unemployment insurance benefits.

3. K.S.A. 44-706, 44-704b, 44-709 [Effective 7-1-2003]
   This legislation was a “trailer bill.” It reconciled changes to K.S.A. 44-706 and amended K.S.A. 44-704b and 44-709.

2002 LAW CHANGES

1. K.SA. 44-703(b)(1), 44-703(hh) and 44-705(g) [Effective 7-1- 2002]
   Establishes an alternative wage base period for workers with a workers compensation injury. This provision is designed for injured workers who recover from a work related injury to the extent that the worker can return to work but is unable to find work and then would find that they are excluded from unemployment benefits since there were no wages in the base period.

2. K.S.A. 44-710(c)(2)(H) [Effective 7-1- 2002]
   Provides that no contributing employer or rated government employer account will be charged if their pro rata share of benefit charges is $100 or less. [NOTE: To be applicable, the employer’s notice of potential benefit charges would have to be $100 or less.]

2001 LAW CHANGES

1. K.S.A. 44-703(i)(3)(E),K.S.A. 44-703(i)(4)(A), and K.S.A. 44-703(i)(4)(L) [Effective 7-1- 2001]
   Effective July 1, 2001, the term “employment” now includes service performed for an Indian tribe or tribal units by placing them in the same category as political subdivisions and affording them the same payment options as 501(c)(3) organizations. Such services are covered beginning December 22, 2000. It also excludes coverage if the services are performed as a member of a legislative body or of the judiciary of an Indian tribe, as a nontenured policymaking or advisory position performing duties pursuant to tribal law, or as part of an employment work-relief or work training program assisted or financed in whole or in part by an Indian tribe.

2. K.S.A. 44-712(b)(2) and K.S.A. 44-714(o) [Effective 7-1-2001]
   All money remitted to the State Treasurer from state agencies shall be in accordance with the provisions of K.S.A. 75-4215. This applies to the special fund established in the employment security law which is divided into three accounts, a clearing account, an unemployment trust fund account and a benefit account. All monies received from fees charged for copies of documents must also be remitted in accordance with K.S.A. 75-7215.

Unemployment Insurance Law Changes

2000 LAW CHANGES

No law changes were made by the 2000 Kansas Legislature.

1999 LAW CHANGES

1. K.S.A. 44-706(b)(3)(C) and K.S.A. 44-706(b)(3)(E) [Effective 7-1-1999]
   Requires employers to give or send written notice to employee's last known address for misconduct due to chronic absenteeism.

2. K.S.A. 44-709(k) [Effective 7-1-1999]
   Allows parties to benefit claim hearings to appear personally or by a designated representative and the hearing will be conducted by phone or other electronic communication unless an in-party hearing is requested.

3. K.S.A. 44-710a(a)(2)(E) [Effective 7-1-1999]
   Increases the surcharge for negative account balance employers to 2 percent.

4. K.S.A. 44-710a(a)(3) [For tax rate years 2000, 2001, and 2002]
   A new schedule IIIA applies when computing the planned yield for employers.

5. K.S.A. 44-710a(a)(3)(C) [For 2000, 2001, and 2002]
   On January 15 the Secretary of Human Resources shall report to the legislature the adequacy of the fund and on July 15, the same report to the Legislative Coordinating Council.

1998 LAW CHANGES

1. K.S.A. 44-703(i)(W) [Effective 7-1-1998]
   Excludes from the term “employment” services performed by election officials and election workers receiving less than $1,000 a year.

2. K.S.A. 44-703(o)(14) [Effective 7-1-1998]
   Excludes from the term “wages” educational assistance under section 127 of the federal internal revenue code of 1986.

3. K.S.A. 44-705(c) [Effective 7-1-1998]
   Codifies into law the denial of unemployment benefits for inmates.

4. K.S.A. 44-710a(a)(1)(B)(i) and 44-710a(a)(3)(C) [Effective 7-1-1998]
   Extends the tax moratorium to include calendar year 1999 and changes the phase-in provision to 2000.

5. K.S.A. 44-710a(a)(2)(B) and 44-710a(a)(2)(E) [Effective 7-1-1998]
   Extends rates for negative account balance employers to include calendar year 1999.

6. K.S.A. 44-712(d)(4) [Effective 7-1-1998]
   Adds to the section of the law that deals with transfer of Reed Act funds for federal fiscal years 1999, 2000 and 2001.

7. K.S.A. 44-716a(e) [Effective 7-1-1998]
   Allows transferring of funds from the special employment security fund to pay interest to employers who have erroneously paid contributions and benefit cost payments.

8. K.S.A. 44-717(a) [Effective 7-1-1998]
   Amends language dealing with interest on unpaid “payments in lieu of contributions.”

9. K.S.A. 44-717(h) [Effective 7-1-1998]
   Allows interest on erroneously collected payments to be deducted from subsequent contributions due.

10. K.S.A. 44-717(i) [Effective 7-1-1998]
    Repealed this section since reimbursing employers would not have a balance to refund.

11. K.S.A. 44-718(c) [Effective 7-1-1998]
    Allows for the continuous levy up to 15 percent of an individual's unemployment benefit amount by the Internal Revenue Service (IRS).

1997 LAW CHANGES

1. K.S.A. 44-703(i)(4)(V) [Effective 7-1-1997]
   Excludes from the term “employment” services performed as a qualified direct seller.

2. K.S.A. 44-709(b)(1) [Effective 7-1-1997]
   Broadens the means by which benefit claim notices can be delivered to employers and by which employer information can be returned to the department.

3. K.S.A. 44-710(e)(2) and 44-717(a) [Effective quarter ending 9-30-1997]
   Changed the due date for “Employer's Quarterly Wage Report & Contribution Return” to the last day of the month following the close of each calendar quarter. Also, it is deemed filed as of the date it is placed in the U.S. mail.

4. K.S.A. 44-710a(a)(1)(B)(i) and 44-710a(a)(3)(C) [Effective 7-1-1997]
   Extends the Tax Moratorium to include calendar year 1998 and changes the phase-in provision to 1999.

5. K.S.A. 44-710a(a)(2)(B) and 44-710a(a)(3)(C) [Effective 7-1-1997]
   Extends rates for negative account balance employers to include calendar year 1998.

6. K.S.A. 44-710b(a) [Effective 7-1-1997]
   Changed the location of administrative hearings to the county where the employer maintains a principle place of business. Also, the hearing officer shall render a decision in 90 days.

7. K.S.A. 44-717(h) [Effective after 12-31-1997]
   Funds erroneously collected from an employer shall bear interest at the rate prescribed in K.S.A. 79-2968.

8. K.S.A. 44-718(f) [Effective 7-1-1997]
   Allows deducting over issuance of food stamp coupons “to a household” from unemployment insurance benefits payable to “a member of the household.”

9. K.S.A. 44-759 [Effective 1-1-1998]
   All administrative rulings shall be published in a medium readily accessible to employers. Also, rulings shall be published in the Kansas Register within 30 days of the ruling.

1996 LAW CHANGES

1. K.S.A. 44-706(s) [Effective 7-1-1996]
   Clarifies the collection of back-pay awards from the claimant and from the employer.

2. K.S.A. 44-710a(a)(1)(B)(i) and K.S.A. 44-710a(a)(3)(C) [Effective 3-28-1996]
   Extends the tax moratorium to include calendar year 1997.

3. K.S.A. 44-710a(a)(2)(B) and K.S.A. 44-710a(a)(2)(E) [Effective 3-28-1996]
   Changes the rates for negative account balance employers for calendar years 1996 and 1997.

4. K.S.A. 44-710(e)(1)(D) [Effective 7-1-1996]
   Changes the date for reimbursing employer election to January 1 of the year such election is received.

5. K.S.A. 44-714(d) [Effective 7-1-1996]
   Limits the term for members of the Employment Security Advisory Council to four years.

6. K.S.A. 44-714(j) [Effective 7-1-1996]
   Deletes provisions regarding protection against self-incrimination.

7. K.S.A. 44-718(e) [Effective 7-1-1996]
   Provides that a person receiving unemployment compensation can elect to have federal taxes withheld.

Frequently Asked Questions (FAQs)

What is UI? Unemployment insurance (UI) was originally designed to provide partial wage replacement on a temporary basis to workers involuntarily unemployed through no fault of their own. As stated in K.S.A. 44-702 “Economic insecurity, due to unemployment, is a serious menace to health, morals, and welfare of the people of this state. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and his family.”

What is the difference between a “new” and “initial” claim? A new claim is the first claim which establishes a benefit year and through which a claimant requests a determination of entitlement to and eligibility for compensation. An initial claim can be a new, additional or reopened claim.

How do I file for unemployment insurance benefits? An initial unemployment claim may be filed by phone or via the Internet. A claimant may call 785-575-1460 or 800-292-6333 or may access the UI Benefits website www.getkansasbenefits.gov. This website will ask the necessary questions and begin the unemployment insurance filing process.

If I lose my job in Kansas and move to another state may I file for unemployment insurance? Yes. Whether you reside in or outside of Kansas, you may file a claim by phone or the Internet.

Are there other unemployment benefit programs available in Kansas? At various times, yes. The Kansas Department of Labor administers the Disaster Unemployment Assistance (DUA) program, the Extended Benefits (EB) program, Emergency Unemployment Compensation (EUC), the Shared Work program and the Trade Readjustment Allowance (TRA) program. The Kansas Department of Commerce administers the Trade Adjustment Assistance (TAA) program.

The DUA program provides monetary assistance to individuals unemployed as a direct result of a major disaster and who are not eligible for regular Unemployment Compensation (UC) benefits. DUA is funded through the Federal Emergency Management Agency (FEMA).

The EB program is available to workers who have exhausted regular unemployment insurance benefits during periods of high unemployment. Extended Benefits may start after an individual exhausts other unemployment insurance benefits (not including Disaster Unemployment Assistance or Trade Readjustment Allowances). Not everyone who qualified for regular benefits qualifies for Extended Benefits.

EUC is a special program funded by the federal government at times of high unemployment and subject to regulations established by Congress. When available, applicants may apply for EUC after exhausting all regular unemployment benefits.

The Shared Work program was designed to reduce unemployment and stabilize the work force by allowing certain employees to collect unemployment insurance benefits if the employees share the work remaining after a reduction in the total number of hours of work and a corresponding reduction in wages. An employer who wishes to participate in a Shared Work plan must submit a written Shared Work plan to the Secretary of Labor.

The Trade Readjustment Allowance program provides income support to persons who have exhausted unemployment compensation and whose jobs were affected by foreign imports. The Federal Trade Act provides special benefits under the Trade Adjustment Assistance (TAA) program to those who were laid off or had hours reduced because their employer was adversely affected by increased imports from other countries. These benefits include paid training for a new job and financial help in making a job search in other areas or relocation to an area where jobs are more plentiful. Those who qualify may be entitled to weekly TRA after their unemployment compensation is exhausted.

Does an employee pay unemployment insurance taxes? Employees do not pay unemployment insurance taxes. By federal and state law, employers are responsible for paying unemployment insurance taxes. This is an employer paid benefit to its employees.

What employers are subject to the provisions of the Employment Security Law? All employing units doing business in Kansas are subject to the provisions of the Employment Security Law. However, not all employers are subject to the taxing provisions of the law. Coverage is determined by the type and nature of the business, the number of workers employed and the amount of wages paid for services in employment. Covered employment represents approximately 93 percent of all employment in the state.

What is a "NAICS" code? The North American Industry Classification System (NAICS) code is an industry code which is assigned to an employer based upon that employer's business activity. NAICS was developed jointly by the U.S., Canada and Mexico to provide new comparability in statistics about business activity across North America. As well as being used for statistical purposes, it is also used to determine the unemployment tax rate for newly liable contributing employers.

How does an employer's NAICS code affect an employer's tax rate? An employer's NAICS code is only used in the assignment of a tax rate if the employer is classified as a new or newly liable contributing employer. If an employer is classified as "new" and is engaged in the construction industry (thereby having been assigned a NAICS code within the "Construction" sector), that employer is assigned a 6 percent unemployment tax rate on taxable wages. All other new employers are assigned a 4 percent unemployment tax rate. This industry-based rate is assigned each calendar year. In the January following the calendar year in which the employer is no longer classified as a "newly liable" employer (when they have had at least 24 consecutive calendar months during which their account could have been charged benefits prior to the computation date) the employer will be assigned a tax rate based upon their experience with unemployment.

How can I become a "positive balance employer" rather than be a "negative balance employer?" Employers may make a voluntary contribution in the amount of their negative balance to lower their rate to rate group 51 of eligible positive balanced employers. They may make additional contributions to further lower their rate to that of rate groups 50 through 47. The contributions required for various rate reduction options are provided on an employer's annual Experience Rating Notice.

Another more traditional method may be to manage your company's experience with unemployment. This can be done through being aware of the effect layoffs and/or terminations can have on your unemployment insurance account and tax rate.

Glossary

Additional Claim: An initial claim that is filed when the claimant has an existing benefit year which has not ended and the claim had become inactive due to intervening employment.

Average High Cost Multiple (AHCM): A measure of Trust Fund adequacy defined as the ratio of the Reserve Fund Ratio to the Average High Benefit Cost Rate. This measure is an estimate of how long (in years) the Trust Fund could pay benefits during a time equivalent to an average of the three highest annual benefit cost periods in the most recent 20 years.

Civilian Labor Force (CLF): The CLF includes the employed and unemployed. The CLF does not include anyone who does not have a job or who is not looking for a job.

Claimant: A person who files either an initial claim or a weekly claim under: 1) any state or federal unemployment compensation program or 2) any other program administered by the state agency.

Continued Claim: A claim filed for waiting period credit or payment for a week of unemployment.

Contributing Employer: An employer who is required by the state unemployment compensation law to pay contributions into the state unemployment fund.

Covered Employment: Employment which is covered by UI law.

Eligible: A claimant who has been determined to be eligible for compensation under the state's unemployment compensation law. To be eligible for benefits, Kansas law requires that the claimant: 1) be unemployed; 2) make a valid claim for benefits; 3) have insured earnings in two or more quarters of the base or alternative base period and total wages in the base or alternative base period equal to or greater than 30 times the WBA; 4) be able, available and actively seeking work; and 5) in certain circumstances, serve a one-week waiting period.

Experience Rated: The employer's assigned tax rate is based upon that employer's "experience" with unemployment, therefore they are rated according to their experience.

Federal Fiscal Year (FFY): The FFY refers to the time period beginning October 1st of one year and ending September 30th of the following year. The fiscal year would be the year in which the time period ended. For instance, October 1, 2010, through September 30, 2011, is FFY 2011. The FFY is the fiscal year for federal government and should not to be confused with the State Fiscal Year.

Ineligible Employer: see New Employer

Initial Claim: An initial claim is any unemployment claim application. It may be a "new" claim, where the claimant requests that a new benefit year be established and a determination of entitlement be issued; it may be for an "additional" claim where the claimant already has an established benefit year but has allowed the claim to become inactive due to having returned to work but is now unemployed again; or it may be a "reopen" claim which will activate a claim that became inactive without intervening employment.

Glossary

Insured Unemployment Rate (IUR): The IUR is a measure of the number of individuals claiming benefits relative to the average in covered employment.

Labor Force: see Civilian Labor Force

Negative Balance Employer: If total benefits charged to an employer exceed total contributions paid by that employer, the employer is defined as a negative balance employer.

New Claim: The first claim filed to establish a benefit year and request a determination of entitlement to and eligibility for compensation.

New Employer: A new employer is an employer ineligible for a rate computation based upon their own experience. They are classified as new if as of the computation date of June 30, they have had less than 24 consecutive calendar months during which their account could have been charged benefits prior to the computation date.

Planned Yield: A total amount of required contributions estimated prior to tax rate computation.

Positive Balance Employer: If contributions paid by an employer exceed benefits charged to that employer, the employer is referred to as a positive balance employer.

Rate Year (RY): The RY is the time period for which an employer's tax rate is in effect. The RY for regular contributing employers and rated governmental employers is a calendar year – January through December.

Reserve Fund Ratio (RFR): The RFR is the ratio of the trust fund balance to total wages of covered contributing employment.

State Fiscal Year (SFY): The SFY refers to the time period beginning July 1 of one year and ending June 30 of the following year. The fiscal year would be the year in which the time period ended. For instance, July 1, 2006, through June 30, 2007, is SFY 2007. The SFY is the fiscal year for the state of Kansas and should not to be confused with the Federal Fiscal Year.

Weekly Benefit Amount (WBA): A weekly payment of UI benefits made to eligible claimants. The payment is computed at 4.25 percent of the claimant's highest paid quarter in the base or alternative base period and is subject to minimum and maximum limitations.

Sources [1/]

U.S. Department of Labor

Bureau of Labor Statistics (www.bls.gov)

- Local Area Unemployment Statistics

Employment and Training (www.doleta.gov)

- Handbook 394
- Comparison of State Government Insurance Laws 2009

Kansas Department of Labor (www.dol.ks.gov)

- Unemployment Insurance
- Local Area Unemployment Statistics
- Quarterly Census of Employment and Wages
- Fiscal Management

Kansas Employment Security Law (www.kslegislature.org)

Kansas Employment Security Advisory Council Annual Report, 2004

[1/] Data may also be obtained by contacting the Labor Market Information Services Division of the Kansas Department of Labor at 785-296-5000

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