

August 26, 2020

Office of Recovery
Julie Lorenz | Executive Director
Kansas Governor Laura Kelly
Capitol Building
300 SW 10th Avenue, Room 241-S | Topeka, Kansas 66612

Sent via email to recovery@ks.gov

Dear Ms. Lorenz,

We write to you as a coalition of business partners, all doing whatever it takes to serve those in need amid this pandemic. As you know, nearly every Kansas employer and employee is or has been impacted by the pandemic, regardless of political affiliation, size of company, location in the state, or nature of their business. It is most evident through the utilization of the Unemployment Insurance Trust Fund. **As further outlined below, we respectfully request the SPARK committee infuse \$300 million into the Kansas Unemployment Insurance Trust Fund (Trust Fund).**

Due to the pandemic there have been unprecedented claims made to the Kansas Unemployment Insurance System causing a drastic drop in the balance of Trust Fund as displayed in **Attachment A**. This draw on the Trust Fund is unparalleled. Even during the 2008-2009 recession, as **Attachment B** highlights, it was a “gradual decline” of the Trust Fund balance over the course of 52 weeks whereas **Attachment C** highlights the “sharp decline and trend line” of the Trust Fund balance from March 21 – August 8, 2020. Furthermore, based on tracking the Trust Fund balance and average benefit payments during the past 19 weeks, **we are projected to bankrupt the Trust Fund as early as the last week in December**. If initial and continued claims continue to rise it is very likely the Trust Fund will bankrupt before then. And unfortunately, the traditional “high season” use of the Trust Fund is still yet to come.

Attachment D shows initial claims increased for four consecutive weeks from the week ending on June 20, 2020 through July 11, 2020. There was a steep drop in claims for the week ending July 18, 2020, but since then claims have increased for the past three consecutive weeks. Continued claims have averaged 85,062 weekly from July 20, 2020 to August 8, 2020.

If the Trust Fund is bankrupt on December 31, 2020, the repayment clock begins to run and Kansas will have to repay all borrowed funds plus interest on or before November 10, 2022, based on federal borrowing requirements/provisions, if we are still in a borrowing state on January 1, 2022. Consider the following:

- Assuming the Trust Fund bankrupts by year end, coupled with the standard/neutral SUTA tax rate tables the 2020 KS Legislature passed for CY 2021, Kansas will be on a path for **significant** unemployment tax increases by the year 2024, including the first partial loss of our standard FUTA credit reduction
- If the fund stays on the current path, projections for Kansas Unemployment Insurance Tax Rates will be, at best:
 - **Best Rated Employers:** Potential **700.00% increase by 2024**
 - 2020: \$42 per EE | 2024: \$336 per EE
 - **Worst Rated Employers:** Potential **32.43% increase by 2024**
 - 2020: \$1,036 per EE | 2024: \$1,372 per EE

As the SPARK Task Force considers economic recovery proposals for the far-reaching effects of COVID-19, please prioritize support and resources to help **EVERY** Kansas employer, both rated- and reimbursing employers across the state.

While we all hope for a “federal fix” to this critical issue, one is currently not being considered. The most immediate assurance for all Kansas employers is for the SPARK Task Force to allocate funds to replenish the Trust Fund and avoid bankruptcy in the midst of the COVID pandemic. While any allocation will help keep the Trust Fund solvent, we respectfully request the SPARK committee infuse \$300 million into the Trust Fund and avoid federal penalties through at least November 10, 2023, allowing for more time to recover.

Although KDOL has indicated individual employer accounts will not be charged for COVID-19 related UI claims, the impact will still be felt. **Kansas employers may not be charged for these claims, but we will most certainly pay for them for many years to come as the Trust Fund balance must be replenished.** Can employers emerging from the pandemic really afford upwards of a 700% increase in their unemployment tax contributions? This dramatically increased cost will likely impede the hiring of employees in our recovery efforts:

Total KS employment is down from 1,465,900 (March 2020) to 1,369,700 (June 2020) – **a net loss of 96,200 jobs.** To further compound the problem at hand, less jobs equate to less SUTA tax contributions from employers to fund the trust fund.

Investment into the Trust Fund directly benefits the 70,000+ employers across the State of Kansas. Every employer across the state, in every county, district, city, etc. will reap the long-term benefits of this relief. This relief covers the most neutral ground as it is non-partisan, offers long-term relief to both small and large employers, will be felt in urban and rural Kansas, and benefits union and non-unionized employers alike, which will impact the pace of future hiring during our critical, early and ongoing stages of recovery.

On behalf of the member organizations below we thank you for your consideration of this request as it will have a lasting impact on economic recovery efforts for the state of Kansas. If you have any questions or would like to discuss our request further, please do not hesitate to contact us.

Best regards,

Natalie Bright, Executive Director
Kansas Society for Human Resource Management

American Eagle Outfitters
Associated General Contractors of Kansas
Blish Mize Company
Cerner
Dondlinger Construction
Hess Services, Inc.
iSi Environmental
Kansas Bankers Association
Kansas Chamber of Commerce
Kansas Global Trade Services
Kansas Manufactured Housing Association

Kansas medical Society
Kansas Society for Human Resource Management
Lawrence Paper Co.
Lenexa Chamber of Commerce
Martin-Smith Personnel Services, Inc.
National Federation of Independent Businesses
Olathe Chamber of Commerce
Overland Park Chamber of Commerce
Textron Aviation
WATCO Companies
Wichita Chamber of Commerce

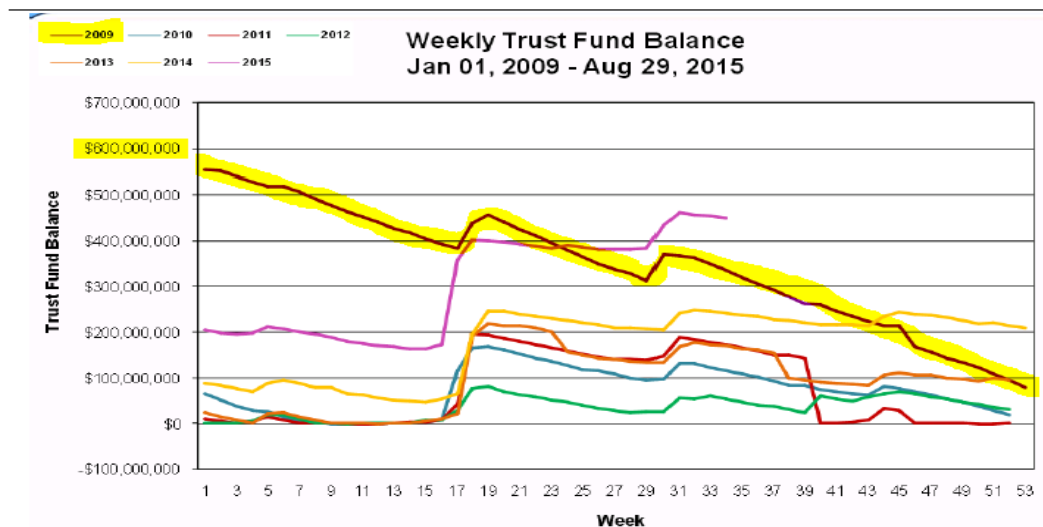
Attachment A

Week Ending	Totals Since WE 3/21	
	Totals	Weekly Averages
Kansas Trust Fund Balance	\$ 984,800,000	\$ 660,000,000
# Weeks Trust Fund to ZERO - KS Only benefits (KS Only - UI)	311.61	29.93
# Years Trust Fund to ZERO - KS Only benefits (KS Only - UI)	5.99	0.58
Projected Date of KS Trust Fund Bankruptcy	3/11/2026	3/5/2021
Regular Claims		
Initial Claims	23,925	15,006
Call Center	8,141	1,211
Internet	15,784	13,795
Internet %	65.97%	91.93%
Continued Claims	10,027	74,550
Total Payments Summary	\$ 3,160,402	\$ 59,261,586
Regular Unemployment Insurance (KS Only - UI)	\$ 3,160,402	\$ 22,052,033
Fed Pandemic Unemployment Comp (FPUC)	\$ -	\$ 25,057,971
Pandemic Unemployment Assistance (PUA)	\$ -	\$ 10,993,369
Pandemic Emergency Unemployment Comp (PEUC)	\$ -	\$ 1,158,213
State Extended Benefits (EB)	\$ -	\$ 108,422
Regular Unemployment Insurance (KS Only - UI)		
# Weeks Compensated	7,929	67,222
Final Payments	261	1,565
Individuals Receiving Payments	7,453	58,944
Average Weekly Benefit Amount	\$ 398.59	\$ 328.05
Pandemic Unemployment Assistance (PUA)		
Initial Claims		8,683
Continued Claims		147,456
# Weeks Compensated		37,959
Pandemic Emergency Unemployment Comp (PEUC)		
Initial Claims		1,247
Continued Claims		2,682
# Weeks Compensated		2,935
State Extended Benefits (EB)		
Initial Claims		111
Continued Claims		236
# Weeks Compensated		273

Attachment B

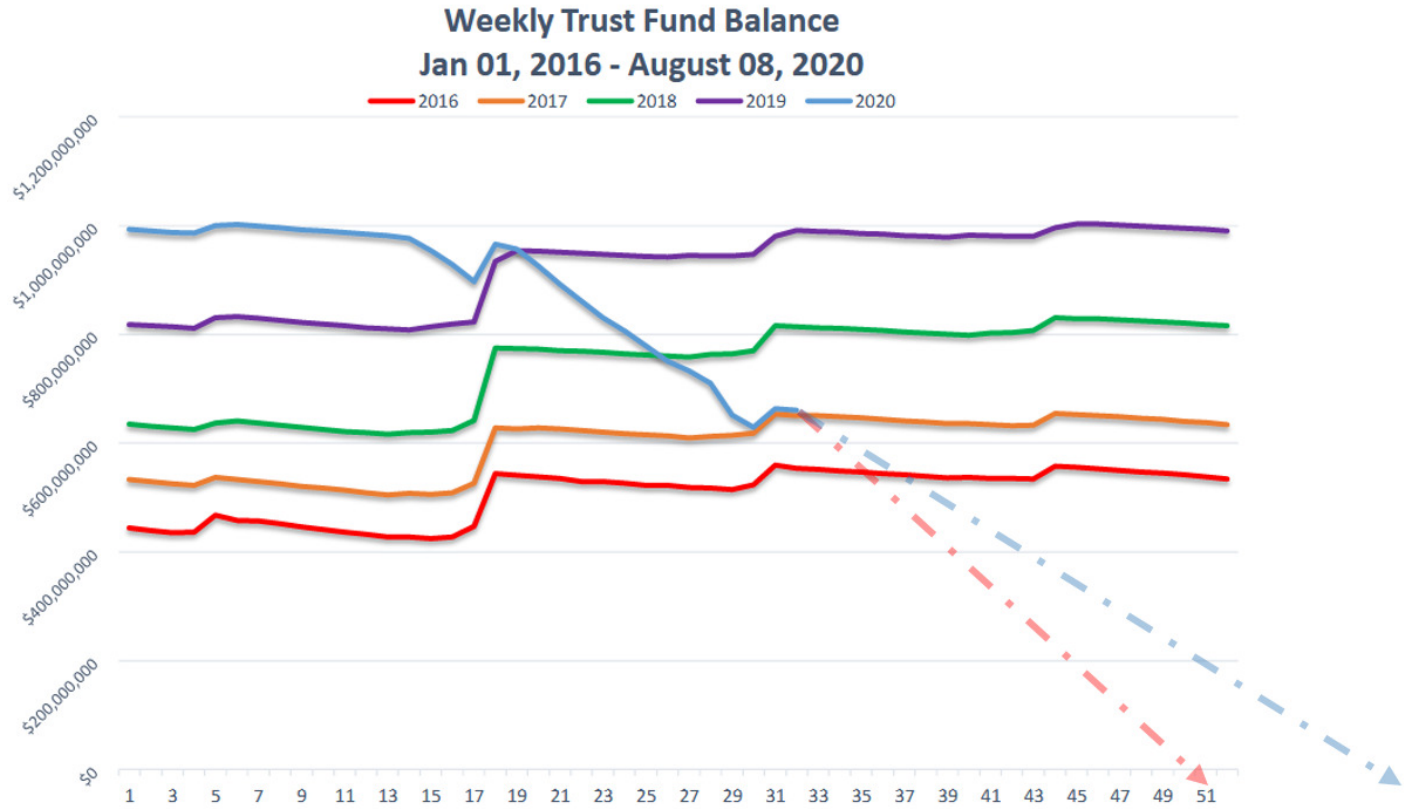
This graph highlights the “gradual decline” of the 2009 KS UI Trust Fund Balance over the course of 52 weeks compared to the sharp decline/trend line for the past 19 weeks of 2020 in Attachment C:

KS UI Weekly Review (UIWR)



Attachment C

This graph highlights the “sharper decline and trend line” of the 2020 KS UI Trust Fund Balance over the past 19 weeks from March 21 – August 8, 2020. Additionally, based on tracking the trust fund balance and average benefit payments during the past 19 weeks, **we have projected trust fund bankruptcy by year end – nine out of the last 19 weeks.** If initial and continued claims continue to rise or we see a significant spike, it is very likely the trust fund will bankrupt before year end (and our high season is right around the corner).



Attachment D

This table shows initial claims increased for four consecutive weeks from the week ending June 20, 2020 – July 11, 2020. There was a steep drop in claims for the week ending July 18, 2020, but since then claims have increased for the past three consecutive weeks. Continued claims have averaged 85,062 weekly from July 20, 2020 – August 8, 2020.

Week Ending	6/13/2020	6/20/2020	6/27/2020	7/4/2020	7/11/2020	7/18/2020	7/25/2020	8/1/2020	8/8/2020
Kansas Trust Fund Balance	\$ 805,900,000	\$ 779,400,000	\$ 751,700,000	\$ 733,400,000	\$ 710,000,000	\$ 651,300,000	\$ 628,800,000	\$ 663,400,000	\$ 660,000,000
# Weeks Trust Fund to ZERO - KS Only benefits (KS Only - UI)	28.75	30.79	28.87	27.32	27.47	23.56	25.46	28.35	29.93
# Years Trust Fund to ZERO - KS Only benefits (KS Only - UI)	0.55	0.59	0.56	0.53	0.53	0.45	0.49	0.55	0.58
Projected Date of KS Trust Fund Bankruptcy	12/31/2020	1/21/2021	1/15/2021	1/11/2021	1/19/2021	12/29/2020	1/19/2021	2/15/2021	3/5/2021
Regular Claims									
Initial Claims	8,763	9,884	10,962	12,881	17,173	10,260	12,511	11,092	15,006
Call Center	2,278	3,369	3,627	3,372	8,075	1,831	1,996	1,226	1,211
Internet	6,485	6,515	7,335	9,509	9,097	8,429	10,515	9,866	13,795
Internet %	74.00%	65.91%	66.91%	73.82%	52.97%	82.15%	84.05%	88.95%	91.93%
Continued Claims	88,345	86,440	84,401	88,472	87,611	90,735	83,533	84,753	74,550