

## Fiscal Estimate - 2005 Session

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> <b>05-4175/1</b>	<b>Introduction Number</b> <b>AB-867</b>
<b>Description</b> Various changes in the unemployment insurance law, authorized positions for the department of justice, making appropriations, and providing penalties	
<b>Fiscal Effect</b>	
<b>State:</b> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input checked="" type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations  <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
<b>Local:</b> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs      3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs      4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory  5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b> <b>Affected Ch. 20 Appropriations</b> <input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input checked="" type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input checked="" type="checkbox"/> SEGS 20.445(1)(gi) and 20.445(1)(nc)	
<b>Agency/Prepared By</b> DWD/ Richard Tillema (608) 267-9807	<b>Authorized Signature</b> JoAnna Richard (608) 267-3200
<b>Date</b> 12/9/2005	

## Fiscal Estimate Narratives

DWD 12/9/2005

LRB Number	05-4175/1	Introduction Number	AB-867	Estimate Type	Original
<b>Description</b> Various changes in the unemployment insurance law, authorized positions for the department of justice, making appropriations, and providing penalties					

### Assumptions Used in Arriving at Fiscal Estimate

The bill increases the maximum weekly benefit rate by \$12 for each week of total unemployment beginning in 2006 and by another \$14 at the beginning of 2007. Using fiscal note conventions, the increases from the present \$329 to \$341 for 2006 and \$355 for 2007 would result in increased expenditure of \$15.6 million in 2006 and \$17.6 million in 2007. Of the total, the cost to taxable employers would be \$14.9 million in 2006 and \$16.8 million in 2007. The estimates for this provision and all others assume an insured unemployment rate of 3%, consistent with the estimates used by all state agencies in constructing biennial budget requests.

The bill also creates a specific disqualification for any worker who fails to notify an employer of five or more absences or six or more instances of tardiness, provided that the employer has a written policy defining absence and/or tardiness, describing the procedure by which notification must be given, and indicating that the employee may be discharged for failure to notify. The employer must apply the policy uniformly to all employees, have written evidence that the discharged employee received the policy, and after at least one instance of absence or tardiness give a warning that failure to notify may lead to discharge. It is anticipated that this provision will lead to a reduction in expenditure of \$7.8 million annually, of which \$7.4 million is taxable employers' share.

Other provisions with minor fiscal impacts include the following. The exclusion of nonprofessional Americorps participants from the Unemployment Insurance program will reduce benefits and associated reimbursements received from affected private nonprofit reimbursing employers by approximately \$100,000 annually. The repeal of the food processing exclusion will increase costs by approximately \$200,000 annually. An increase from \$5 to \$15 in the fee that employers are allowed to collect to offset the costs of processing levies will increase their revenue by approximately \$100,000 annually but will not affect state appropriations or the Unemployment Reserve Fund. Reducing weekly benefit checks after disregarding the first \$30 and one third of the remainder of wages earned by emergency workers who are employees but have been classified as volunteers will offset benefit expenditures by approximately \$100,000 annually, an amount that will in most cases reduce expenditures of units of local government. Finally, the special assessment of private nonprofit reimbursing employers to amortize their bad debts will not affect revenues in the state budget but will create a new source of revenue in the Unemployment Reserve Fund in the amount of approximately \$200,000 during each of the next four years and it will remove the burden of these costs from taxable employers.

The amount of \$1 million in federal Reed Act funds is newly appropriated for expenditure on Unemployment Insurance administration in the 2006-2007 state fiscal year. This amount is a one time cost.

Ongoing costs in the amount of \$37,500 are newly appropriated for one half of one assistant attorney general position in the Department of Justice for the purpose of prosecuting fraud that may be perpetrated by employers and employees. These costs will be funded by revenue from interest and penalties that are assessed for failure to comply with the requirements of the unemployment insurance law.

It is estimated that Unemployment Insurance expenditures by state and local governments will increase by \$678,600 when all provisions of the bill are fully implemented. Of the total it is expected that local governments will incur \$341,200 and state government will incur \$337,400. State governmental expenditures have been entered into the worksheet and divided among fund sources in proportion to the amounts in the state fiscal year base used for the 2005-2007 biennial budget. It is expected that state agencies will be able to absorb the added costs of unemployment insurance expenditures due to this bill with amounts currently appropriated.

Because the provisions are phased in over the biennium, it is further estimated that actual expenditures of local governmental employers would increase by \$69,200 in state fiscal year 2005-2006 and by another

\$154,400 in 2006-2007. State expenditures are projected to increase by \$100,200 in 2005-2006 and \$147,300 in 2006-2007.

**Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

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  Updated     
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<b>LRB Number</b> 05-4175/1		<b>Introduction Number</b> AB-867	
<b>Description</b> Various changes in the unemployment insurance law, authorized positions for the department of justice, making appropriations, and providing penalties			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  The amount of \$1 million in federal Reed Act funds is newly appropriated for expenditure on Unemployment Insurance administration in the 2006-2007 state fiscal year.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes	\$469,500		-103,600
(FTE Position Changes)			
State Operations - Other Costs	8,000		
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>	<b>\$477,500</b>		<b>\$-103,600</b>
<b>B. State Costs by Source of Funds</b>			
GPR	210,400		-49,400
FED	114,200		-26,900
PRO/PRS	100,000		-14,900
SEG/SEG-S	52,900		-12,400
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>	
<b>NET ANNUALIZED FISCAL IMPACT</b>			
	State	Local	
NET CHANGE IN COSTS	\$373,900	\$341,200	
NET CHANGE IN REVENUE	\$	\$	
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
DWD/ Richard Tillema (608) 267-9807		JoAnna Richard (608) 267-3200	12/9/2005