

 **07hr\_sb0431\_SC-LEUA\_pt01**



Details:

(FORM UPDATED: 08/11/2010)

**WISCONSIN STATE LEGISLATURE ...  
PUBLIC HEARING - COMMITTEE RECORDS**

**2007-08**

(session year)

**Senate**

(Assembly, Senate or Joint)

**Committee on ... Labor, Elections and Urban  
Affairs (SC-LEUA)**

**COMMITTEE NOTICES ...**

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

**INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL**

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
  - (**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)
  - (**sb** = Senate Bill)                              (**sr** = Senate Resolution)                              (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

\* Contents organized for archiving by: Mike Barman (LRB) (October/2010)

## Senate

### Record of Committee Proceedings

#### Committee on Labor, Elections and Urban Affairs

##### Senate Bill 431

Relating to: various changes in unemployment insurance law and making an appropriation.

By Senator Coggs; cosponsored by Representatives Honadel and Nelson.

January 30, 2008      Referred to Committee on Labor, Elections and Urban Affairs.

February 14, 2008    **PUBLIC HEARING HELD**

Present:    (5)    Senators Coggs, Wirsch, Lehman, Grothman  
                and A. Lasee.

Absent:     (0)    None.

##### Appearances For

- Phil Neuenfeldt — Wisconsin State AFL-CIO
- James Buchen — Wisconsin Manufacturers & Commerce
- Hal Bergan — DWD Div. of Unemployment Insurance
- Wayne Corey — Wisconsin Independent Businesses

##### Appearances Against

- None.

##### Appearances for Information Only

- None.

##### Registrations For

- Eric Englund — Wisconsin Insurance Alliance
- Mark Reihl — Wisconsin State Council of Carpenters
- Ed Lump — Wisconsin Restaurant Association
- Bill Smith — National Federation of Independent Business
- Chet Gerlach — Association of Wisconsin Tourism Attractions
- Amy Boyer — Wisconsin Association of Convention & Visitor Bureaus
- Trisha Pugal — Wisconsin Innkeepers Association
- Mishā Lee — Sentry Insurance
- Louie Schubert — American Family Insurance

##### Registrations Against

- None.

Registrations for Information Only

- None.

February 20, 2008

**EXECUTIVE SESSION HELD**

Present: (5) Senators Coggs, Wirch, Lehman, Grothman  
and A. Lasee.

Absent: (0) None.

Moved by Senator Wirch, seconded by Senator Lehman that  
**Senate Amendment 1** be recommended for adoption.

Ayes: (5) Senators Coggs, Wirch, Lehman, Grothman  
and A. Lasee.

Noes: (0) None.

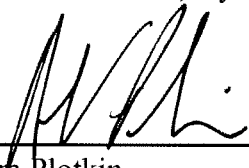
ADOPTION OF SENATE AMENDMENT 1 RECOMMENDED,  
Ayes 5, Noes 0

Moved by Senator Wirch, seconded by Senator Lehman that  
**Senate Bill 431** be recommended for passage as amended.

Ayes: (4) Senators Coggs, Wirch, Lehman and A.  
Lasee.

Noes: (1) Senator Grothman.

PASSAGE AS AMENDED RECOMMENDED, Ayes 4, Noes 1

  
\_\_\_\_\_  
Adam Plotkin  
Committee Clerk





# Vote Record

## Committee on Labor, Elections and Urban Affairs

---

Date: Thursday, February 14, 2008

Moved by: \_\_\_\_\_ Seconded by: \_\_\_\_\_

AB \_\_\_\_\_ SB **431** \_\_\_\_\_ Clearinghouse Rule \_\_\_\_\_  
 AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_  
 AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

S Amdt   1   \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_

A/S Sub Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

Be recommended for:

- Passage       Adoption       Confirmation       Concurrence       Indefinite Postponement  
 Introduction       Rejection       Tabling       Nonconcurrency

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
<b>Senator Spencer Coggs, Chair</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Robert Wirch</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator John Lehman</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Glenn Grothman</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Alan Lasee</b>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Totals:**      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_      \_\_\_\_\_

Motion Carried

Motion Failed

## Vote Record

### Committee on Labor, Elections and Urban Affairs

---

Date: Wed. February 20, 2008

Moved by: WIRCH                      Seconded by: LEHMAN

AB \_\_\_\_\_ SB 431 \_\_\_\_\_ Clearinghouse Rule \_\_\_\_\_  
 AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_  
 AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

A/S Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_  
 A/S Sub Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_  
 A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

Be recommended for:  
 Passage       Adoption       Confirmation       Concurrence       Indefinite Postponement  
 Introduction       Rejection       Tabling       Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
<b>Senator Spencer Coggs, Chair</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Robert Wirch</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator John Lehman</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Glenn Grothman</b>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Alan Lasee</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Totals:</b>	<u>4</u>	<u>1</u>	_____	_____

## Vote Record

### Committee on Labor, Elections and Urban Affairs

---

Date: Wed. February 20, 2008

Moved by: WIRCH                      Seconded by: LEHMAN

AB \_\_\_\_\_ SB 431 \_\_\_\_\_ Clearinghouse Rule \_\_\_\_\_  
 AJR \_\_\_\_\_ SJR \_\_\_\_\_ Appointment \_\_\_\_\_  
 AR \_\_\_\_\_ SR \_\_\_\_\_ Other \_\_\_\_\_

S Amdt 1 \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_

A/S Sub Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

A/S Amdt \_\_\_\_\_ to A/S Amdt \_\_\_\_\_ to A/S Sub Amdt \_\_\_\_\_

Be recommended for:

- Passage       Adoption       Confirmation       Concurrence       Indefinite Postponement  
 Introduction       Rejection       Tabling       Nonconcurrency

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
<b>Senator Spencer Coggs, Chair</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Robert Wirch</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator John Lehman</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Glenn Grothman</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Senator Alan Lasee</b>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals:      5      0      \_\_\_\_\_      \_\_\_\_\_





Unemployment Insurance Advisory Council  
 Agreed Bill Provisions  
 January, 2008

SB 431  
?

	Issue	UI Agreed Bill
1	UI taxes are levied against the first \$10,500 of an employee's earnings. Despite increases in wages, the "wage base" has remained unchanged for 20 years, limiting UI revenues.	The wage base is increased as follows: 2009 - \$12,000 2011 - \$13,000 2013 - \$14,000
2	Most UI benefits are charged to individual employers under the experience rating system. Some benefits are charged to the overall insurance pool. "Solvency taxes" are charged to all employers to cover these benefits. In recent years, solvency taxes have been insufficient to cover the costs of the benefits charged to the pool.	.2% of the experience-rated (basic) tax rate of employers with positive account balances will be shifted to the solvency tax. .4% of the basic tax rate of employers with overdrawn accounts will be shifted to the solvency tax.
3	One of the requirements for receiving UI benefits is that a claimant must have wages during the base period equal to at least 30 times his or her weekly benefit rate.	Tightens eligibility standards by raising the qualifying threshold to 35 times the weekly benefit rate.
4	Absenteeism: the current standard for being disqualified for benefits is 5 absences without notice or 6 tardies without notice. The statute has caused some confusion concerning the relationship between the absenteeism provisions and those governing misconduct. The absenteeism provisions have a sunset of April 3, 2010.	Updates the statute to reflect recent legal decisions concerning the relationship between absenteeism and misconduct. Allows for the disqualification under misconduct to be considered if disqualification conditions under absenteeism are not met. Removes the sunset on the absenteeism/tardiness provisions.
5	Currently, adult children with little or no ownership in the family corporations of their parents are allowed full UI benefits when eligible whereas parents with little or no ownership interest in the family corporations of their children may receive only 4 weeks of benefits.	Treats parents and adult children the same for purposes of benefits so that parents with little or no ownership interest do not have benefits reduced.
6	Workers can be classified as employees who are eligible for Unemployment Insurance and Workers Compensation or as "independent contractors" who have no such eligibility. Misclassification of employees as independent contractors is common in industries such as construction, logging, trucking, etc. As the labor market changes and different business models evolve, it is increasingly difficult to precisely define employee and independent contractor.	Establishes a study group to assess and suggest changes to the provisions of UI law dealing with independent contractors. The study group will report to the Unemployment Insurance Advisory Council by June 30, 2009.

7	Currently the maximum weekly benefit for UI claimants is \$355 per week.	2008 - No increase in maximum weekly benefit 2009 - \$8 increase in maximum weekly benefit
8	Currently companies with more than \$5000 in tax liability in the first quarter can defer some of their taxes until later in the year. The deferral is automatic if an employer underpays for the first quarter.	Move the threshold for deferring liability from \$5000 to \$1000. Employers who chose this option must file electronically and "elect" the deferral. This makes the deferral option available to many more small employers.
9	Penalties apply to UI claimants who commit benefit fraud, usually by concealing wages while receiving benefits. Current penalties range from 1/4 to 4 times the weekly benefit rate for each act. Penalties also apply to employers who aid and abet such concealment. Employers can be penalized up to the amount of benefits the claimant received.	Increase the forfeitures for claimants who commit UI fraud. 1 <sup>st</sup> offense= 1 x benefit rate for each act 2 <sup>nd</sup> offense = 3 x benefit rate for each act 3 <sup>rd</sup> offense = 5 x benefit rate for each act Increase penalties for employers that aid and abet fraud. 1 <sup>st</sup> offense = \$500 for each act 2 <sup>nd</sup> offense = \$1000 for each act 3 <sup>rd</sup> offense = \$1500 for each act
10	Current UI law requires that UI claimants be "able and available" to work. The UI Council and the legislature this year approved new administrative rules governing the proper interpretation of able and available.	Consolidate and streamline the able and available provisions of the UI statute.
11	Since 1999 a fee has been assessed for administrative expenses. This revenue, approximately \$2 million annually, has been used primarily for needed upgrades of the UI information technology systems. It expired on December 31, 2007.	Extends the administrative assessment until June 30, 2010.
12	During the current biennium the UI Division has had access to \$1,000,000 in Reed Act funds if needed for administrative expenses. This contingency was created because of the uncertainty surrounding Federal funding for UI administrative expenses. The Division did not draw on these funds in 2006 and 2007.	Extends the option of utilizing \$1,000,000 in Reed Act funds in 2008 and 2009.
13	During the last session of the Legislature the UI bill included an "employer fault" provision requiring that employers that fail to provide "correct and complete" information during adjudication and prevail during an appeal hearing are liable for benefits paid up until the time of the appeal. The change has been effective in improving the quality of information provided at adjudication and in reducing overpayments to claimants. The provision had a sunset date of June 28, 2008.	Removes sunset date and clarifies the admissibility of department records in appeals decisions on employer fault.
14	Currently employers with 50 or more employees must file their wage and tax information electronically. Employer agents	Beginning with reports due for the third quarter of 2008, employers with 25 or more employees must file their wage and tax information

<p>must file electronically in a format prescribed by the department; agents filing on behalf of 25 or more employers may file using magnetic media (e.g., disks) and agents filing on behalf of less than 25 employers must file using the department's tax and wage reporting application.</p>	<p>electronically. The department will allow employer agents filing on behalf of 10 or more employers to file using magnetic media. Employers who file using the department's tax and wage reporting application do not need to file contribution reports. For payments due for the first quarter 2009, all employer agents and employers with contributions greater than \$10,000 must pay contributions electronically.</p>
--	---





## **UI BILL TOUGH MEDICINE FOR SICK SYSTEM**

February 14, 2008

**FOR: SENATE LABOR, ELECTIONS & URBAN AFFAIRS COMMITTEE  
ASSEMBLY LABOR & INDUSTRY COMMITTEE**

**Wisconsin's Unemployment Insurance system is ailing. SB 431 & AB 757 may restore the system's health. It is tough but necessary medicine that will raise taxes on every Wisconsin employer. It has to be done. Wisconsin Independent Businesses supports the bill.**

**During deliberations WIB, on behalf of the small, stable employers of Wisconsin, asked for consideration of two important issues. We asked that the tax increase be phased in and we requested that employers whose workers drain the system be held more responsible than stable employers. SB 431 & AB 757 deliver on both of those requests. We want to give special thanks to Representative Mark Honadel for his leadership in providing this protection for Wisconsin's most stable employers.**

**The tax increase is phased in with increases in 2009, 2011 & 2013. The phase-in allows the state's small employers to prepare their businesses to absorb the tax increase. Meanwhile, employers with a negative balance in their account – meaning their workers have drawn more in UI benefits than the business has paid in UI taxes – will have a greater portion of their UI tax paid toward the UI fund's "balancing account." The balancing account is that portion of the fund that has had a seriously negative balance in recent years.**

**The Unemployment Insurance Fund must be fixed. It is essential for workers and employers alike that a scenario akin to the disaster of 1983 be avoided. After many years of strong balances, created through adequate employer taxes and a modest annual benefit drain on the UI fund, the overall fund balance has declined significantly in recent years. The UI fund balancing account has had an especially bad run, leaving it with a significant negative balance.**

**WIB remembers too well the fund's insolvency nearly a quarter-of-a-century ago. That insolvency led to massive borrowing from the federal government and years of the highest UI tax rates in state history. As the national economy slumps, WIB remains anxious to avoid a repeat of 1983's devastating episode.**


**WIB believes Wisconsin's Unemployment Insurance System is facing its new challenges by assuring fairness for the state's most stable businesses. We question if the current fund crisis could have been avoided and we hope the legislature's labor committees will review that question. WIB promises to educate our members on the need for the tax increase and we hope the UIAC and the UI division will work to avoid any new UI fund crisis in coming years.**



## Unemployment Insurance and Worker's Comp Bills

Exec – LEUA

Feb. 20, 2008



Both of these bills, SB 430 dealing with worker's compensation changes and SB 431 dealing with unemployment insurance changes, are two bills that have been extensively vetted and worked on by members of the Advisory Councils made up of both labor and business representatives. Both bills contain a long list of changes that have been compromised and agreed to by all parties affected with the stability of the system and support for injured and unemployed workers maintained.





Department of Workforce Development  
Unemployment Insurance Division  
201 East Washington Avenue  
P.O. Box 7905  
Madison, WI 53707-7905  
Telephone: (608) 267-8997  
Fax: (608) 267-0593  
Email: [dwdui@dwd.state.wi.us](mailto:dwdui@dwd.state.wi.us)

Date?



State of Wisconsin  
Department of Workforce Development  
Jim Doyle, Governor  
Roberta Gassman, Secretary  
Hal Bergan, Division Administrator

---

Statement of Hal Bergan  
Administrator, Unemployment Insurance Division  
Before the Assembly Labor and Industry Committee and  
The Senate Labor, Elections and Urban Affairs Committee  
On Assembly Bill 757 and Senate Bill 431

Chairman Coggs, Chairman Honadel, and members of the Committees. Thank you for the opportunity to speak in support of Senate Bill 431 and Assembly Bill 757. This legislation is the product of many months of study, negotiation and compromise by the members of the Unemployment Insurance Advisory Council. The bills before you carefully balance the concerns of employees and employers in maintaining an unemployment insurance system that serves the interests of our state. In times like these, with the national economy experiencing difficulty, it is particularly important that we strengthen our UI system in order to cushion the effects of adverse business cycles and continue to support our local economy.

The most pressing issue addressed in the legislation is the need to strengthen the Unemployment Insurance Reserve Fund, the repository of UI revenues and the source of funding for unemployment benefits. Over the last few years, beginning with the recession of 2001, the balance in the Reserve Fund has dropped from a high water mark of \$1.8 billion at the end of 2000 to a balance of \$554 million at the end of 2007. This downward trend is expected to continue and will accelerate in the event of an economic downturn.

Why is this happening? The most concise answer is that growth in the economy is generally reflected in growth in benefits. Benefit growth reflects increases in both the numbers of people working and in the amounts they earn. Revenues to the system do not grow in the same way.

Revenue growth reflects increases in the numbers of people working, but only picks up a fraction of their growth in earnings. For example, between 1990 and 2005 average weekly wages grew by 72%. Average taxable weekly wages grew by just 14% during that same period. This is because the unemployment insurance wage base has been unchanged at \$10,500 since 1986.

The bill addresses this problem by increasing the wage base from \$10,500 to \$12,000 in calendar year 2009. In 2011 it increases to \$13,000 and in 2013 it moves to \$14,000. This phased approach will strengthen the Reserve Fund incrementally over the course of the next ten years. It is a crucial step in ensuring the solvency of the UI system.

The bill also deals with another issue relating to the Reserve Fund. In Wisconsin most benefits are charged to a specific employer based on its layoff experience. The employer's tax rate then is based on the employer's experience with unemployment. However, as in all other states, some benefits are charged to the Reserve Fund as a whole. In addition to the employer's experience-based basic tax rate, a solvency tax is assessed to cover the benefits not charged to a specific employer.

Over the last few years, these solvency revenues have been substantially less than the amounts charged to the fund as a whole. The bill addresses this by reducing the basic tax rate on employers and increasing solvency taxes by the same amount. Overall tax rates stay the same, but the revenue is directed to those parts of the system that need it most.

Specifically, .2 percent is shifted from the basic rate to the solvency rate for positive balance employers. .4 percent is shifted from the basic rate to the solvency rate for negative balance employers. (A positive balance employer is one who pays more in taxes than the benefits charged to its account. A negative balance employer is one who pays in less in taxes than the benefits charged to its account.)

These two steps, taken together, will go a long way towards addressing Reserve Fund solvency. They are complemented by a freeze on maximum benefit levels for 2008 and a very modest increase of \$8 in 2009. In addition, the bill changes the standard for receiving UI benefits. Under current law, a claimant must have wages equal to 30 times the weekly benefit rate in order to qualify for UI benefits. Under the bill a claimant will be required to have wages equal to 35 times the weekly benefit rate in order to qualify for benefits.

There are other provisions of the bills that improve the administration and clarity of the UI law. Let me mention a few of them.

**Equity between parents and adult children:** Currently, adult children with little or no ownership in the family corporations of their parents are allowed full UI benefits when eligible whereas parents with little or no ownership interest in the family corporations of their children may receive only 4 weeks of benefits. The bill addresses this situation by treating parents and adult children the same for purposes of benefits so that parents with little or no ownership interest do not have benefits reduced.

**Deferral of UI Taxes:** Currently companies with more than \$5000 in UI tax liability in the first quarter can defer some of their taxes until later in the year. The deferral is automatic if an employer underpays for the first quarter. The bill makes more small employers eligible for a deferral by moving the threshold for deferring liability from \$5000 to \$1000. Employers who choose this option must file electronically and "elect" the deferral.

**Penalties for UI Fraud:** Penalties apply to UI claimants who commit benefit fraud, usually by concealing wages while receiving benefits. Current penalties range from 1/4 to 4 times the weekly benefit rate for each act. Penalties also apply to employers who aid and abet such concealment. Employers can be penalized up to the amount of benefits the claimant received. The bill increases the forfeitures for employers and claimants who commit UI fraud.

For claimants:

- 1<sup>st</sup> offense = 1 x benefit rate for each act
- 2<sup>nd</sup> offense = 3 x benefit rate for each act
- 3<sup>rd</sup> offense = 5 x benefit rate for each act

For employers that aid and abet fraud.

1<sup>st</sup> offense = \$500 for each act

2<sup>nd</sup> offense = \$1000 for each act

3<sup>rd</sup> offense = \$1500 for each act

**Information technology and administrative expenses:** Since 1999 a fee has been assessed for administrative expenses. This revenue, approximately \$2 million annually, has been used primarily for needed upgrades of the UI information technology systems. It expired on December 31, 2007. The bill extends the administrative assessment until June 30, 2010. The bill also authorizes the expenditure of up to \$1 million in Reed Act funds each year of the biennium for administrative expenses. This is a contingency appropriation to cover the possibility of significant reductions in federal administrative funds. Wisconsin collects only 54 cents on the dollar of federal unemployment taxes that are levied for administrative purposes. There would be a consultation with the Advisory Council before any of these funds are expended.

**Electronic filing of wage and tax information:** Currently employers with 50 or more employees must file their wage and tax information electronically. Beginning in the third quarter of 2008 the electronic filing threshold will be reduced employers with 25 or more employees. Electronic filing saves administrative expenses for the program and provides more accurate wage and tax data than paper filing.

**Misclassification of workers:** Workers can be classified as employees who are eligible for Unemployment Insurance and Workers Compensation or as "independent contractors" who have no such eligibility. Misclassification of employees as independent contractors is common in industries such as construction, logging, trucking, and mortgage origination. As the labor market changes and different business models emerge, it is increasingly difficult to precisely classify workers. The bill establishes a study group to assess and suggest changes to the provisions of UI law dealing with independent contractors. The study group will report to the Unemployment Insurance Advisory Council by June 30, 2009.

There are also other changes in the bill that are described in the LRB summary. I am happy to answer any questions you may have.



Date ?

## Talking Points In Support of the Unemployment Insurance Bill

SB 431  
?

### There is a need to increase UI Revenues.

- The balance in the UI Reserve Fund has been declining steadily despite the good performance of the Wisconsin economy.
- In calendar year 2007 the Reserve Fund declined by approximately \$163 million. The December 31, 2007 balance was \$554 million.
- The Reserve Fund must be strengthened soon to avoid falling into deficit. Even if the economy stays on a relatively even keel, the fund would be in deficit by 2012. In the event of a recession or significant economic downturn, the Reserve Fund would be in deficit sooner than that. How soon will depend on economic conditions.
- If the Reserve Fund falls into a deficit the state would be forced to borrow, probably from the federal government, in order meet obligations to pay UI benefits. If borrowing occurs, federal law requires not only repayment but also a special assessment on employers to cover interest charged on the debt.

### What caused the Reserve Fund balance to decline?

- Benefit expenditures have grown because of growth in employment, growth in wages, and inflation.
- Revenue to the Reserve Fund has grown, but at a much slower rate than growth in employment, growth in wages, and inflation.
- Though average weekly wages grew by 72% from 1990 through 2005, average weekly taxable wages grew by only 14% during the same period. The UI tax system reflects growth in how many people are working, but does not account for much of the growth in average weekly wages. The taxable wage base of \$10,500 has been unchanged for over 20 years - since 1986.
- Not all charges are assigned to individual employers; some are paid by the fund as a whole and supported by "solvency taxes". Solvency taxes do not

reflect "experience" and have not kept pace with benefits paid by the insurance pool.

- The strong performance of the economy in the 1990's, complemented by interest earnings, built up the Reserve Fund and masked some of the issues in the UI tax system. The balance in the Reserve Fund has trended downward since 2000, with relatively steeper declines during the 2001-02 recession. As the balance has declined, so have Reserve Fund interest earnings.

How does the UI Bill strengthen the Reserve Fund?

- It gradually raises the wage base so that the revenue system is more reflective of changes in the Wisconsin economy.
- It shifts revenues from the "basic rate" to the "solvency rate", providing more revenue to that part of the system that needs it most.
- It reduces costs by raising the amount of base period wages needed to qualify for benefits.
- In 2008 maximum benefit amounts are frozen at the 2007 level. In 2009, maximum benefit levels increase by \$8 per week, slightly over 2%.

How do Wisconsin's benefit levels compare to other states?

UI Benefits - Comparisons with Bordering States and U.S.

State	Average Duration	Exhaustion Rate*	Average Benefits per Recipient	Average Weekly Benefit
Wisconsin	13.1 weeks	24.9%	\$3150	\$265.46
Illinois	17.3 weeks	35.6%	\$5200	\$303.98
Iowa	12.7 weeks	24.6%	\$3501	\$288.54
Michigan	14.8 weeks	34.0%	\$4242	\$292.33
Minnesota	15.7 weeks	31.7%	\$5066	\$337.84
U.S. Avg.	15.1 weeks	35.4%	\$4139	\$287.50

\* Exhaustion rate = % of recipients who collect 26 weeks of benefits

Data from U.S. Department of Labor, June 30, 2007

- Wisconsin UI benefits replace about 37.7 % of the average weekly wage, which ranks 28<sup>th</sup> out of 50 states.
- Only six states have a lower exhaustion rate than Wisconsin; only 8 states have an average duration shorter than Wisconsin.

What is Wisconsin doing to combat UI fraud?

- The UI bill contains provisions increasing the penalties and forfeitures for fraud by claimants who conceal wages and by employers who collude with them in this practice.
- The UI Division is developing new methods to identify employers who misclassify workers as independent contractors in order to deny employees the protection of the Unemployment Insurance and Workers Compensation laws. The Division is intent on creating a level playing field for those employers who are meeting their responsibilities under the law.

What is Wisconsin doing to improve the administration of the UI law and help small businesses?

- In order to receive UI benefits a worker must be "able and available" to work. The bill provides for an update and simplification of the statutory provisions relating to "able and available" requirements.
- The bill provides that employers with more than \$1000 in first quarter tax liability may defer some of their taxes until later in the year. The current law provides that an employer must have \$5000 in first quarter tax liability in order to be eligible for the deferral.
- The bill provides that employers with 25 or more employees must file their tax and wage reports electronically. The current standard is 50 or more employees.
- Under current law, adult children with little or no ownership in the family corporations of their parents are allowed full benefits when eligible, whereas parents with little or no ownership interest in the family



corporations of their children may receive only 4 weeks of benefits. The bill provides that parents with little or no ownership interest are eligible for full benefits.



WISCONSIN ASSEMBLY  
2007-2008 SESSION  
Speaker Huebsch

SB 431  
BY COGGS  
UNEMPLOYMENT INSURANCE - VARIOUS CHANGES  
CONCURRENCE

AYES - 76    NAYS - 21    NOT VOTING - 2    PAIRED - 0

A	N	NV	NAME		A	N	NV	NAME		A	N	NV	NAME	
	N		ALBERS	R		N		KESTELL	R	Y			SCHNEIDER	D
Y			BALLWEG	R		N		KLEEFISCH	R	Y			SEIDEL	D
Y			BENEDICT	D		N		KRAMER	R	Y			SHERIDAN	D
Y			BERCEAU	D	Y			KREUSER	D	Y			SHERMAN	D
	N		BIES	R	Y			KRUSICK	D	Y			SHILLING	D
Y			BLACK	D		N		LASEE	R	Y			SINICKI	D
Y			BOYLE	D		N		LEMAHIEU	R	Y			SMITH	D
Y			COLON	D	Y			LOTHIAN	R	Y			SOLETSKI	D
Y			CULLEN	D	Y			MASON	D	Y			STASKUNAS	D
Y			DAVIS	R	Y			MEYER	R	Y			STEINBRINK	D
Y			FIELDS	D	Y			MOLEPSKE	D	Y			STONE	R
Y			FITZGERALD	R	Y			MONTGOMERY	R		N		STRACHOTA	R
	N		FRISKE	R	Y			MOULTON	R	Y			SUDER	R
Y			GARTHWAITE	D	Y			MURSAU	R	Y			TAUCHEN	R
Y			GOTTLIEB	R	Y			MURTHA	R	Y			TOLES	D
Y			GRIGSBY	D	Y			MUSSER	R	Y			TOWNSEND	R
Y			GRONEMUS	D		N		NASS	R	Y			TRAVIS	D
	N		GUNDERSON	R	Y			NELSON	D	Y			TURNER	D
		x	GUNDRUM	R	Y			NERISON	R	Y			VAN AKKEREN	D
Y			HAHN	R		N		NEWCOMER	R	Y			VAN ROY	R
Y			HEBL	D		N		NYGREN	R		N		VOS	R
Y			HILGENBERG	D	Y			OTT, A.	R	Y			VRUWINK	D
Y			HINES	R		N		OTT, J.	R	Y			VUKMIR	R
Y			HINTZ	D	Y			OWENS	R	Y			WASSERMAN	D
Y			HIXSON	D	Y			PARISI	D	Y			WIECKERT	R
Y			HONADEL	R		N		PETERSEN	R	Y			WILLIAMS, A.	D
Y			HRAYCHUCK	D	Y			PETROWSKI	R		N		WILLIAMS, M.	R
Y			HUBLER	D	Y			POCAN	D	Y			WOOD	R
Y			JESKEWITZ	R	Y			POPE-ROBERTS	D	Y			YOUNG	D
Y			JORGENSEN	D		N		PRIDEMORE	R	Y			ZEPNICK	D
Y			KAUFERT	R	Y			RHOADES	R		N		ZIEGELBAUER	D
	N		KERKMAN	R	Y			RICHARDS	D		N		ZIPPERER	R
Y			KESSLER	D			x	ROTH	R	Y			SPEAKER	R

IN CHAIR: GOTTLIEB

NO VACANT DISTRICTS

SEQUENCE NO. 225  
Friday, February 29, 2008  
4:17 AM