

Assembly Hearing Slip

(Please print plainly)

Date: 10-20-99

Bill No. SB 255

Or Subject VI LEGISLATION

(Name) WAYNE COREY

(Street Address or Route Number) 111 S. HARTWAD

(City & Zip Code) MADISON 53701

(Representing) WI INDEPENDENT BUSINESS

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only:

Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 10-20-99

Bill No. SB 255

Or Subject

(Name) Bill G. Smith

(Street Address or Route Number) 10 E. North Suite 201

(City & Zip Code) Madison 53703

(Representing) National Federation of Independent Business Wisconsin

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only:

Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: Oct. 20, 1999

Bill No. VIAC BILL SB 255

Or Subject

(Name) Bob Lyons

(Street Address or Route Number) 8033 Excelsior Dr

(City & Zip Code) MADISON, 53717-1903

(Representing) AFSCME Council 40 & VIAC

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only:

Neither for nor against:

Please return this slip to a messenger promptly.
Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 10-20-99

BILL NO. 1 PR 2472 (ATLAD)

Or Subject:

PH Brennanfeld

(Name)

6333 W. Bluewood

(Street Address or Route Number)

Madison WI 53215

(City & Zip Code)

URS McClellan

(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 10/20/99

BILL NO. 578 255

Or Subject:

James Buchen

(Name)

501 E Washington

(Street Address or Route Number)

Madison WI

(City & Zip Code)

Wis. Manufacturers

(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Assembly Hearing Slip

(Please print plainly)

Date: 10-20-99

BILL NO. 5B255

Or Subject: Unemployment Insurance

Greg Anigo

(Name)

Department of Workforce Development

(Street Address or Route Number)

Chair, Unemployment Ins. Advisory Council

(City & Zip Code)

(Representing)

Speaking in favor:

Speaking against:

Registering in favor:

Registering against:

Speaking for information only; Neither for nor against:

Please return this slip to a messenger promptly.

Assembly Sergeant at Arms
Room 411 West
State Capitol
Madison, WI 53702

Vote Record

Senate Committee on Labor

Date: 10-20-99
 Moved by: Farrow Seconded by: Baumgart
 AB: _____ Clearinghouse Rule: _____
 AB: _____ SB: 255 Appointment: _____
 AJR: _____ SJR: _____ Other: _____
 A: _____ SR: _____

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
 - Introduction
 - Adoption
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence
 - Confirmation

Committee Member

	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Sen. Jim Baumgart, Chair	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Russell Decker	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> Polled	<input type="checkbox"/>
Sen. Roger Breske	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/> "	<input type="checkbox"/>
Sen. David Zien	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Margaret Farrow	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: 5 0 2 _____

Motion Carried

Motion Failed

**DRAFTER'S NOTE
FROM THE
LEGISLATIVE REFERENCE BUREAU**

LRB-3247/3dn
JTK:wlj:kjf

October 13, 1999

While at lunch, I realized that the specific situation we have with respect to the initial applicability of the definition of "employer" really is more complicated than the situations we have confronted in the past. I therefore redrafted the draft again this afternoon to (1) make the effective date for the change January 1, 2000; and (2) build the initial applicability into the text. Since under this draft we now have specific calendar dates in the initial applicability, this is now possible. The initial applicability for the current law on benefit eligibility is taken from 1995 Wisconsin Act 118, section 55 (3), which specifies that the current law applies with respect to benefit eligibility to benefit years that begin after December 31, 1995. Concerning the analysis, as I said before, we almost never go into this, and the description of this item in the analysis is already complicated enough to confuse the lay person, but I changed the text a little to maintain accuracy without getting into too much detail.

Jeffery T. Kuesel
Managing Attorney
Phone: (608) 266-6778

Original Updated
 Corrected Supplemental

1999 Session

LRB or Bill No. -- Adm. Rule No.
SB-255 --LRB-3247/3

Amendment No. if Applicable

FISCAL ESTIMATE

DOA-2048 N(R10/94)

Subject

CHANGES IN THE UNEMPLOYMENT INSURANCE LAW

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Government Units Affected

- Towns Villages Cities
 Counties Others
 School Districts WTCS Districts

Fund Sources Affected:

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations:

Assumptions Used in Arriving at Fiscal Estimate

The bill would increase the maximum weekly benefit rate by \$8 for each week of total unemployment beginning on or after April 2, 2000 and by another \$8 on or after October 1, 2000. The increases from the present \$297 to \$305 and \$313 anticipate inflation of 2.7% in 2000 and 2001 but are timed so that they will not compound possible problems that might arise from conversion of computer systems to the year 2000. Using fiscal note conventions, the estimated full year cost of the changes is \$11.8 million in each year of the biennium. Of the total, the cost to taxable employers is \$11.2 million. This provision and all others assume an insured unemployment rate of 3.1%, the same as used by all state agencies in constructing biennial budget requests.

To attract additional workers into the labor force and accommodate those entering or reentering it, benefit eligibility would be computed by allowing claimants who are not eligible with wages in the first four of the most recently completed five quarters to use wages in the most recently completed four quarters for purposes of establishing their eligibility and benefit rates. The estimated full year cost of the change is \$4.4 million annually and would begin July 2, 2000.

Other benefit changes eliminating various benefit disqualifications are estimated to increase expenditures by approximately \$1.2 million in each year of the biennium. The first change would remove the disqualification of an individual who quits because of lack of child care when hired for one shift and transferred to another, provided that the individual remains able and available to work full time on the same shift the individual was hired to work. The second change would eliminate a disqualification that otherwise occurs when an individual quits employment because of domestic abuse. A third change would repeal the disqualification of an individual for an entire week of partial benefits when an employer grants a claimant unpaid leave for part of a week. Instead of a full week disqualification, the wages the claimant could have earned from the employer during unpaid hours of leave would be added to other earnings in that week and entered into a partial benefits formula, which is used to determine the weekly payment when a claimant has some earnings but less than the amount that would reduce unemployment insurance benefits for the week to zero.

(Continued on next page...)

Long-Range Fiscal Implications

Assumptions Used in Arriving at Fiscal Estimate (Continued)


At the direction of the United States Department of Labor, individuals who are working 40 hours a week will be denied partial benefits, which claimants can presently receive if laid off from a high paying job and taking a low paying job while continuing to look for work more suited to their skills. An increase of \$.8 million in annual expenditure is expected when the provision is fully in effect. The present partial benefits formula was designed to maximize the incentive to work. The change required by the federal government is anticipated to lead some individuals to seek less work when their combined income from less than full time work plus unemployment insurance benefits will exceed income from full time work in a low paying job of temporary duration.

The bill would also repeal the 1.3% tax rate surcharge applied to the preceding year's taxable payroll of each new employer with taxable payroll greater than \$20,000 and cumulative tax payments less than cumulative benefit charges as of each January 31 or June 30 following each of the first three years of coverage by the unemployment insurance program. The change will reduce revenues by \$.9 million annually.

Finally, the bill would extend for 2000 and 2001 a .01% surcharge on taxable payroll. The proceeds from the tax would be used to modernize computer based tax systems used in the unemployment insurance program. An estimated \$2.2 million would be collected from the assessment in 2000 and \$2.3 million in 2001. Because of the timing of tax collections, it is anticipated that program revenue in appropriation 20.445(1)(gh) would increase by \$963,600 in 1999-2000, by \$2,243,800 in 2000-2001, and by \$1,292,600 in 2001-2002.

The bill creates appropriation 20.445(1)(nc) to receive a special 1999-2000 distribution of \$2,263,800 in federal program revenue for unemployment insurance program administration. Similar distributions will occur in at least the next two fiscal years in amounts that have not yet been determined.

Expenditures by state and local governmental employers are expected to increase by \$440,100 in 1999-2000 and by an additional \$518,900 in 2000-2001. Of these costs it is expected that local governments will incur \$233,800 in 1999-2000 and an additional \$275,700 in 2000-2001 and state government will incur \$206,300 in 1999-2000 and an additional \$243,200 in 2000-2001. State costs have been divided among fund sources in proportion to their occurrence in the 1999 state fiscal year adjusted base, which was used to construct the 1999-2001 biennial budget.

Agency/Prepared by:(Name & Phone No.) DWD / Not Assigned (Not Available) <u>Richard Tillema</u> 267-9807	Authorized Signature / Telephone No. 	Date 10/19/99
--	---	------------------

FISCAL ESTIMATE WORKSHEET

1999 Session

Detailed Estimate of Annual Fiscal Effect DOA-2047(R10/94)	<input checked="" type="checkbox"/> Original	<input type="checkbox"/> Updated	LRB or Bill No./Adm Rule No. SB-255 / LRB-3247/3	Amendment No.
	<input type="checkbox"/> Corrected	<input type="checkbox"/> Supplemental		

Subject
CHANGES IN THE UNEMPLOYMENT INSURANCE LAW
 I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

II. Annualized Costs:	Annualized Fiscal Impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringes	\$206,300	- \$0
(FTE Position Changes)	(FTE)	(- FTE)
State Operations - Other Costs	\$0	- \$0
Local Assistance	\$0	- \$0
Aids to Individuals or Organizations	\$0	- \$0
TOTAL State Costs by Category	\$206,300	- \$0
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$107,000	- \$0
FED	\$48,800	- \$0
PRO/PRS	\$26,400	- \$0
SEG/SEG-S	\$24,100	- \$0
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$0	- \$0
GPR Earned	\$0	- \$0
FED	\$2,263,800	- \$0
PRO/PRS	\$2,200,000	- \$0
SEG/SEG-S	\$0	- \$0
TOTAL State Revenues:	\$4,463,800	- \$0

NET ANNUALIZED FISCAL IMPACT

Net Change in Costs:	<u>STATE</u> \$206,300	<u>LOCAL</u> \$233,800
Net Change in Revenues:	\$4,463,800	\$0

Agency/Prepared by:(Name & Phone No.) DWD / Not Assigned (Not Available) <u>Richard Tillema</u> 247-9807	Authorized Signature/Telephone No. 247-9807	Date 10/19/99
--	--	------------------

Eskeitz, Anne

From: Markham, Kimberly
Sent: Tuesday, October 12, 1999 1:04 PM
To: Pleva, Brian; Eskeitz, Anne
Subject: October 20 hearing

Anne - Brian in Rep. Vrakas' office has indicated that the Senate and Assembly Labor Committees will meet jointly on Oct. 20 to hear the UI and WC agreed bills and the prevailing wage clean-up bill.

For your information, attached is a "plain language summary" of the UI agreed bill that should be sent to your office from the LRB this week.



U\pls.10-12.rcj.mk.doc

Thanks,
Kim
Kim Markham
Legislative Liaison
Department of Workforce Development
608/267-3200
markhki@dwd.state.wi.us

**PLAIN LANGUAGE SUMMARY
OF THE UI ADVISORY COUNCIL'S
1999 BILL**

BENEFITS CHANGES

108.05(3)(c) Denial of partial benefits to those who are not "unemployed"

Adds a paragraph to prevent payment of partial UI benefits to claimants who experience reduced earnings without accompanying unemployment. Any claimant who works 40 or more total hours per week, regardless of the number of employers for which the claimant worked in that week, will not be eligible for benefits.

REASON: Our state law does not conform to federal law as interpreted by the U.S. Secretary of Labor in Unemployment Insurance Program Letter (UIPL) 08-98, dated January 12, 1998. That program letter explained that federal law permits withdrawals from a state's unemployment fund only to individuals who experience "unemployment", that is, *loss of work*. Our law currently fails to conform because we determine "unemployment" by looking at *reduction in wages*.

The present partial benefits formula was designed to maximize incentives to work. The change required by the federal government is anticipated to lead some individuals to seek less work when combined income from less than full-time work plus UI will exceed income from full-time work alone.

108.04(1)(b)2 Bringing consistency to "voluntary leave of absence" and "work available" situations

Amends the statute to permit eligibility for partial benefits under the partial benefits formula if the voluntary leave of absence lasts for less than an entire week. Claimants will continue to be ruled ineligible for full week leaves.

REASON: This section will bring consistency to existing law, particularly since we currently treat two similar situations, *i.e.*, work available (but not taken) and formal voluntary leave, differently. If an individual does not accept all available work for a week as determined under UI law, then the wages for the missed work are treated as earned wages and the employee may still receive a partial benefit check. But if an employee is granted a leave of absence for part of a week, the employee is not eligible to receive any partial UI benefits for that week. The only difference between the two situations is that in one instance the employee informally received time off from work and in the other the employee formally obtained a leave of absence.

108.04(13)(d) Clarification to law giving immediate credit to employer accounts when recovery of overpayment is waived

Amends current provision to clarify that employers whose accounts are charged when recovery of overpayment is waived due to departmental error will receive an immediate credit.

REASON: Due to a misplaced reference in a paragraph, Wisconsin law has been misinterpreted to mean that when recovery of overpayment is waived, the section providing grant of an immediate credit to the employer does not apply.

108.04(7)(b) Repeal of the narrow sexual harassment quit exception and consolidation under the "good cause attributable to the employer" exception.

Repeals the narrow sexual harassment quit exception, 108.04(7)(i), and consolidates and broadens that exception within amended section 108.04(7)(b). Sexual harassment under amended sub. (7)(b) will be recognized as a form of good cause attributable to the employer for an employee to quit employment, without losing eligibility for UI benefits. The employer will be chargeable with resulting benefits. The amended section 108.04(7)(b) specifically applies the more expansive definition of sexual harassment from section 111.32(13) of the Wisconsin Fair Employment Act, which encompasses not just criminal or unwelcome sexual advances in the workplace but also hostile work environment.

REASON: As the quit exception of section 108.04(7)(i) is currently written, the language requires what amounts to criminal conduct by an employer against the employee in order for the employee to be eligible for benefits immediately after quitting. However, the department has been administratively applying section 108.04(7)(b) (without explicit statutory language related to sexual harassment) to allow benefits in situations involving *either* criminal or non-criminal forms of sexual harassment on the grounds that it constitutes good cause attributable to the employer for quitting. Therefore, the department has not been using section 108.04(7)(i). This repeal and amendment will incorporate sexual harassment as formerly provided in section 108.04(7)(i) within an explicit sexual harassment exception added as good cause under section 108.04(7)(b).

108.05(1) Increase in maximum weekly benefit rate

Amends the statute to increase the maximum weekly benefit rate by \$8 for each week of total unemployment which commences on or after April 2, 2000, and also increase the maximum weekly benefit rate by \$8 for each week of total unemployment which commences on or after October 1, 2000.

REASON: The increases anticipate changes in the cost of living of approximately 2.7% in each of the next two years. However, the increases are timed to permit the department to have all computer-related resources available to respond if internal or external computer problems arise as a result of the transition to the year 2000.

108.02(4) **Adoption of an alternative base period**
and
108.06(2)(cm) Amends the law to permit the department to use an alternate base period (the four most recent completed quarters) to determine whether an individual will qualify for UI benefits, if he or she does not qualify using the regular base period (the first four of the last five completed quarters). Creates a provision to prevent quarterly wages used to establish eligibility under this alternate base period from being used again to establish a later regular benefit year.

REASON: Expands benefit eligibility by allowing claimants who are unable to establish a new benefit year using wages under the regular UI base period by using more recent wages. Its effect would be to allow recent entrants or re-entrants to the workforce to be eligible for benefits under the UI program sooner than under current law.

108.04(7)(cm) **Creation of a quit exception for refusal to transfer to another shift due to lack of childcare**

Adds a new exception to the quit disqualification in 108.04(7)(a). Where an employee is hired to work on a particular shift, this grants benefit eligibility if the employee quits by refusing to accept a transfer to another shift due to lack of childcare. However, the employee must remain able to work and available for full-time work on the same shift as the employee's last job.

REASON: The Council recognizes the added complexity in family situations arising from changes in the labor force. This provision accommodates the growing number of families with two wage earners who have childcare responsibilities.

108.04(2)(b) **Requirement that claimants make two work searches per week**

This amendment requires that claimants take actions constituting two work searches per week as prescribed by department rules, unless waived under those rules. It replaces the current administrative requirement of just one work search action per week. This change has a *two-year sunset period*.

REASON: The Council believes that increasing the work search requirement to two per week is reasonable, particularly in view of the current low rate of unemployment and favorable job market for employees.

108.04(7)(s) **Creation of a quit exception for domestic abuse**

Adds a quit exception that permits a person to be eligible for benefits if (1) the reason for the claimant voluntarily terminating employment is domestic abuse, concerns about personal safety, or harassment of his or her children; (2) the claimant has obtained a restraining order; and (3) the claimant has demonstrated to the department that the restraining order has been or is reasonably likely to be violated. Benefits paid under this provision are charged to the UI Balancing Account and not to that of the employer involved in the termination.

REASON: To promote the safety and well-being of persons who are forced to quit work because they are victims of domestic abuse.

BENEFITS AND TAX CHANGE

108.02(12)(b) Amendment of the definition of "employee" (versus independent contractor)

Amends the paragraph by eliminating as mandatory requirements that the worker either (1) hold or have applied for a federal employer identification number (FEIN) or (2) have filed business or self-employment tax forms for a previous year. To establish non-employee or independent contractor status, a worker's services had to meet one of these two alternate requirements, as well as six of eight alternate tests. The two former mandatory factors are made part of a new test requiring the presence of seven of ten-factors, all optional. Furthermore, the tax-filing requirement can now be met in the year the worker's services started, if they were not performed in the previous year. If the individual fails to meet seven of these ten listed optional factors, the individual is deemed an "employee" under this section. This change has a *four-year sunset period*. Moreover, the Council will consider further amendment of the current law if a federal definition of employee/independent contractor is adopted.

REASON: For many years, the UI definition of "employee" has been an area of ongoing concern for the department, legislators, workers, and businesses. The purpose for the change is to recognize the growth of the consulting service industry and to facilitate the establishment of independent contractor status for individuals who are first entering business when their status is in question.

TAX CHANGES

108.205(2) Electronic filing of quarterly wage information

Expands the electronic filing requirement to employers with 100 or more employees (from the current requirement of employers with 250 or more employees) and specifies electronic media (disk, magnetic tape, modem, etc.) as the required method of filing quarterly wage detail reports for large employers. Also amends 108.22(1) to impose penalties for late filing and failure to file reports electronically.

REASON: To increase department efficiency and lower department costs in processing quarterly wage detail reports. Currently, about 4800 employers in Wisconsin have 100 or more employees and about 3600 of them report electronically. The change would require the remaining 1200 employers to file electronic reports, which would then be available for use by the department much more quickly. The penalty provision provides some incentive for employers to comply with the new reporting requirement. This provision will not take effect until reports due for the first calendar quarter of 2001, thereby giving time to the department to assist employers with their conversion to electronic reporting.

108.18(2)(b)(1) Repeal of 1.3% assessment on new employers

& (2)

Eliminates the additional 1.3% tax assessment that would apply to employers required to pay contributions during the first three years of UI coverage if there is a negative account balance on January 31 or June 30 following any of those first three years.

REASON: The current law essentially imposes a different experience rating system on employers during their first three calendar years of UI coverage than applies to other employers by requiring new employers with negative account balances to pay an extra 1.3% tax. The department has concluded that the amount assessed each year is not sufficient to provide any significant immediate tax rate moderation for those employers. Moreover, additional tax burdens on new employers are in many cases unexpected, which creates employer concerns and collections problems for the department.

108.15(5)(b) Grace period for benefit reimbursements by reimbursable employers

and

108.151(5)(f)

Extends the 20-day period in which no interest or penalty is charged to reimbursable employers on their benefit reimbursement payments to the last day of the month in which the department sends a bill for payment.

REASON: Current law provides for a due date of 20 days from the date the department mails the bill. The department's automatic billing cycle normally sends the bills by the third business day of the month. If payment is not received by the due date, interest commences to run on the delinquent amount. The department's experience with the current law is that the time to pay is too short for many reimbursable employers and that the 20-day period makes the interest assessment needlessly complicated. While the due date will remain the same (that is, 20 days from the date the department mails the bill), the reimbursable employer will be given a statutory *grace period* during which it will not be assessed any interest or penalty as long as the payment is received by the last day of the month.

108.18(9) Tax rate reduction

Reduces the solvency tax rate from .02% to 0 for small employers with a 0% basic tax rate under rate schedules C and D.

REASON: To eliminate the need for approximately 8000 low-rate employers to make tax payments of less than \$2.00. Such payments are an irritant for employers and cost more to process than the revenue collected. The change is not expected to have a significant fiscal impact on the reserve fund.

ADMINISTRATIVE AND OTHER CHANGES

108.161(3e) Use of federal Reed Act moneys

and

20.445(1)(n)

In accordance with federal law, adds a section providing that moneys allocated to this state under the federal Reed Act of 1954 may only be used for the purpose of unemployment insurance administration allocated

for federal fiscal years 2000, 2001, and 2002. Also amends appropriations section relating to UI administration to correspond with 108.161(3e).

REASON: Under current state law, Wisconsin is permitted to use Reed Act moneys for three purposes: UI administration, employment services, and to pay unemployment benefits. However, the federal Balanced Budget Act of 1997 (the legislation that granted the upcoming Reed Act distributions to the states) included language providing that for fiscal years 2000, 2001, and 2002 only, the Reed Act funds received by the states are to be used exclusively for unemployment insurance law administration. Thus, current Wisconsin law must be amended to allow Reed Act funds to be used for UI administration only and to disallow the use of Reed Act funds for any other uses in federal fiscal years 2000, 2001 and 2002.

**108.19(1e),
(a)&(d)**

Administrative fee extension

Extends by two years the department's authorization to assess a fee of .01% on payroll and clarifies that its specific use is for the renovation and modernization of the core UI tax and accounting system. During the effective period of this provision the solvency tax rate of affected employers will be reduced by .01%.

REASON: The current UI tax and accounting automated system is inadequate for current purposes. Though funding sources for large information technology development (as opposed to maintenance of current systems) are scarce, the department requires funding for this necessary project.

**108.04(11)(cm)
and
108.095**

Law to combat "impostors" through department procedure

Amends current law and creates an additional section to combat fraud by allowing the department's administrative process to handle impostor cases, *i.e.*, those cases in which persons falsely identify themselves to obtain the UI benefits of others.

REASON: Permits the Bureau of Program Integrity to follow up on the small number of cases in which unsuspecting persons discover that benefits have been drawn under their names without their knowledge or permission. Allows the department to recover the stolen benefits plus impose an administrative assessment equaling 50% of the benefits taken.

108.04(5),(6)

Repeal of rule-making directive for misconduct and suspension cases

Deletes language in current law that requires the department to promulgate drug misconduct and disciplinary suspension rules in the Wisconsin Administrative Code.

REASON: The UI Advisory Council recommends removal from these discharge for misconduct and disciplinary suspension statutes of the directive to the department to promulgate interpretive rules. The Council

has agreed that the department should continue to administer relevant departmental policies and apply relevant court decisions that prescribe the conditions under which an employee's possession, use of (or impairment by) controlled substances constitute misconduct.

108.20(5),(6), Restriction on use of Interest and Penalties (I&P) Fund

(7)&(8) Repeals statutory sections that authorize use of I&P money for non-UI purposes.

REASON: At one time, unemployment insurance and public employment offices were closely interrelated. In recent years, the services of the employment service and UI have become increasingly dissociated. The Council prefers to limit the use of the I&P fund for purposes directly related to the UI program.

108.22(8)(c) Clarification of the waiver of recovery of overpayment provision

Clarifies when the department will not require repayment of overpaid benefits from a claimant when the error was solely that of the department. Removes language that is susceptible to misinterpretation and adds language to make clear that the department will waive recovery of benefits erroneously paid to a claimant if the overpayment was caused solely by departmental error.

REASON: This section requires amendment so that it is capable of only one clear meaning, even when read in conjunction with other sections.

108.16(6)(e) Extension of the period of reissuing replacement UI checks to claimants to six years

Permits claimants to obtain replacement UI checks for up to six years from the date of issuance rather than the current two years. As written, the proposal is retroactive to checks issued on or after 1/1/95.

REASON: This will enable the department to replace lost or stolen UI benefit checks in line with a larger time frame consistent with procedures applicable to the Claims Board, which lacks jurisdiction in UI matters.



Wisconsin State AFL-CIO

6333 West Bluemound Road
Milwaukee, WI 53213
(414) 771-0700 FAX (414) 771-1715



Wisconsin Manufacturers & Commerce

P.O. Box 352 Madison, WI 53701-0352
(608) 258-3400 FAX (608) 258-3413

TO: Members of the Joint Senate and Assembly Labor Committees

FROM: Philip A. Neuenfeldt, Secretary-Treasurer Wisconsin State AFL-CIO
James A. Buchen, V.P., Government Relations, Wisconsin
Manufacturers & Commerce

DATE: October 20, 1999

RE: Support for Senate Bill 255—Unemployment Insurance Advisory Council Proposed Reforms

The Wisconsin State AFL-CIO and Wisconsin Manufacturers and Commerce Support Senate Bill 255, the package of reforms proposed by the members of the Wisconsin Unemployment Insurance Advisory Council. We believe this is a fair and balanced package of legislative reforms that address issues raised by employers, organized labor, lawmakers and citizen advocacy groups.

Worker Benefits

The Council proposes a benefit increase for unemployed workers of 2.7% annually, with an \$8 increase in the maximum weekly benefit amount for April 2 and October 1 of 2000. In addition, the Council recommends adopting an alternative base period for determining benefit eligibility in those instances where newly attached workers to the workforce may not otherwise qualify for benefits.

Further, the Council recommends two new "quit exceptions" for workers to quit their employment and still be eligible to receive unemployment insurance benefits. First, the Council recommends a quit exception for persons voluntarily terminating employment due to domestic abuse, and second in instances where transfer to another work shift may not be feasible due to a lack of childcare.

Worker Eligibility

The Council recommends that unemployed workers, who are required to conduct a work search, make two applications for employment per week. Currently, workers are required to make only one job application per week. This reform is recommended for a two-year trial period.

The Council also recommends refining the definition of what constitutes an independent contractor for purposes of unemployment insurance tax liability. The current definition has caused confusion and has been the subject of frequent litigation. The Council recommends a four-year trial period for this reform.

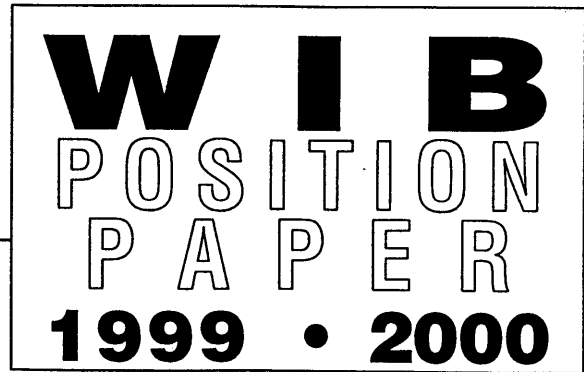
Administrative Reforms

The Council recommends a tax reduction for 8,000 of the state's smallest employers with the best experience with the Unemployment Insurance program. These employers are currently paying minimal tax bills that are administratively costly to the UI system to collect.

Further, the Council recommends repealing the current 1.3% tax assessment on new businesses after their third year of operation. The assessment is seldom imposed and is also administratively costly.

The Council recommends that employers with 100 or more workers be required to file their quarterly wage information electronically in the interest of administrative efficiency. Currently, employers of 250 or more employees are required to file this information electronically.

Finally, the Council recommends extending the revenue neutral employer tax assessment of .01% for an additional two years. The funds raised from this assessment help to finance the UI Division's computer modernization efforts that will benefit Wisconsin's employers and unemployed workers through enhanced UI Division services.



FROM: WAYNE COREY
Executive Director

UI BILL KEEPS WISCONSIN SYSTEM STRONG!

**FOR : The Senate Committee on Labor
The Assembly Committee on Labor & Employment**

DATE : October 20, 1999 PUBLIC HEARING : 9 AM ; 417 North

The unemployment insurance bill agreed upon by the Unemployment Insurance Advisory Council assures Wisconsin employers and workers that the UI system will continue to be extraordinarily strong. During the 1990s the UIAC has shown that the harsh lessons of the previous decade were learned well. After years of unprecedented high taxes, UI taxes have been stable, benefits have increased modestly and the UI fund condition has remained robust. The council deserves sincere congratulations.

Two items in the new bill are especially noteworthy for small employers:

The elimination of the .02% solvency tax for the very best rated employers means that for the first time since 1984 the "zero" rating has returned to Wisconsin's UI tax tables. 8000 of our most stable small employers with extremely large reserve balances in their accounts will not have to pay any additional tax while their account remains in that condition. This is a noteworthy step forward that will be welcomed enthusiastically by the state's most stable small businesses.

Likewise, the repeal of the 1.3% assessment on new businesses with a negative account balance will be welcomed by the affected new firms. Because maintaining a business is difficult enough during the first three years, the elimination of this punitive assessment is a positive step toward helping new firms become solidly established.

The benefit increases contained in the legislation are modest and reasonable.

Wisconsin Independent Businesses, the state's oldest and largest provider of government-related services for small business, congratulates the UIAC and urges the committees to endorse the legislation.

Wisconsin Independent Businesses, Inc.

Eskelitz, Anne

To: Sen.Decker

Subject: Exec Action on SB 255 - UI Bill

Anne called Decker's Office – Asked for his vote, Barbara Worcester said he would support it.
Told her I was showing his vote as "AYE"

Eskeitz, Anne

From: Eskeitz, Anne
Sent: Wednesday, October 20, 1999 2:07 PM
To: Vance, Vaughn
Subject: Senate Labor (Joint Hearing) this morning.

Following the Joint Hearing this morning, the Senate Labor Committee only took exec action on Senate Bill 255, re to various changes in the unemployment insurance law. Before Senator Breske left for his hearing, he told me to vote him AYE on any of the bills. Therefore, I am showing his vote as "AYE" for passage of SB 255.

Just wanted to let your office know in writing of his vote.

Thanks Anne – Any questions, please respond.

Before the Joint Senate and Labor Committee Hearing
Unemployment Insurance -- Senate Bill 255
Wednesday, October 20, 1999, 9:00 A.M.
State Capitol, Room 417 North

Bruce C. Hagen, Administrator
Unemployment Insurance Division
Wisconsin Department of Workforce Development

I. Introductory Remarks

- ◆ Introduce self as Bruce Hagen, Administrator of the Unemployment Insurance or "UI" Division
- ◆ Express thanks to Labor Committee Chairpersons
 - Rep. Daniel Vrakas (R.)
 - Sen. Jim Baumgart (D.)

=> for having this joint hearing on the UI bill

- ◆ Introduce Greg Frigo, Chairperson of the Unemployment Insurance Advisory Council, as well as Director of the Bureau of Legal Affairs within the UI Division

II. General Comments About the Unemployment Insurance Advisory Council

- ◆ Composition of Wisconsin's UI Advisory Council ensures that all parties with an interest in unemployment insurance law are fairly represented.
- ◆ By state statute, the Council is comprised of 5 members representing labor and 5 members representing management.
- ◆ The chairperson of the Council is Mr. Frigo, who represents the state administrative agency -- Department of Workforce Development.
- ◆ Wisconsin's UI Advisory Council is nationally recognized and widely held as an example of how the "system" can work.

- ◆ The 10 voting labor and management members must negotiate and mutually compromise to arrive at an agreed-upon UI bill. Such a bill is before you now.

III. General Comments About the 1999 UI Bill

- ◆ The 1999 UI Bill contains both benefits and tax changes.
- ◆ These changes have been calculated to hold the UI reserve fund at appropriate levels. We currently have about \$1.7 billion in our Unemployment Trust Fund. It is one of the healthiest trust funds in the country.
- ◆ The UI Bill before you
 - represents 2 years of the Council's efforts.
 - is in final form, after considerable debate and compromise by Council members.
 - was created with direct input from our customers -- notably, employers, employees, organizations, and legislators.

IV. UI Changes Recommended By Legislators

- ◆ I will mention some of the changes recommended by legislators:
 - Former Rep. Ourada proposed that a worker be immediately eligible for benefits if he or she has to quit a job due to safety concerns arising out of domestic abuse.
 - Sen. George proposed to increase the time period that the UI Program will re-issue lost checks from two years to six years.

- Rep. Hahn recommended that claimants should be required to make two weekly searches, instead of just one.

⇒ These legislators' recommendations were considered by the Council and are part of the 1999 UI Bill before you today.

IV. Other Key Changes in the 1999 UI Bill

- I will not attempt to elaborate on each and every one of the other changes in the recommended bill.
- However, I will highlight some major changes to the program:

◆ INCREASE THE MAXIMUM WEEKLY BENEFIT RATE.

The Council recommends that the maximum weekly benefit rate that a claimant can receive be increased by \$8 beginning in April 2000 and another \$8 beginning in October 2000, to keep up with increases in the cost of living.

◆ AMENDING THE DEFINITION OF "EMPLOYEE"

The UI definition of "employee" has been an area of ongoing concern for the department, legislators, workers and businesses.

- In response to these concerns, the UI Bill eliminates the mandatory requirement that the worker either (1) hold or have applied for a Federal Employer Identification Number (FEIN) or (2) have filed business or self-employment tax forms for a previous year.
- These mandatory factors will be added to the 8 alternate factors already in the statute.

- Under the new test, an employer must show that 7 of the 10 factors apply in order to show that an individual is an independent contractor, rather than an "employee".
- This change has a 4-year sunset period.

◆ ADOPTING AN ALTERNATE BASE PERIOD.

This proposed change will increase the number of workers that are eligible for benefits.

The Bill permits recent entrants to the workforce or re-entrants who have not been in the workforce long enough to qualify under the normal base period to qualify under an alternate, more recent base period.

◆ REFUSAL TO TRANSFER TO ANOTHER SHIFT DUE TO LACK OF CHILD CARE

This proposed change addresses when an employee is hired to work on a particular shift and then is asked to change shifts. If the employee refuses to accept transfer to another shift due to lack of child care, the employee will still be eligible for benefits.

This change is designed to assist working parents who take different shifts to ensure that there is adequate child care.

◆ ELIMINATE 1.3 TAX ASSESSMENT FOR NEW EMPLOYERS

Eliminates the additional 1.3% tax assessment that applies to new employers during the first three years of UI coverage if there is a negative account balance during the first three years.

V. Concluding Remarks

- These are just some of the highlights of this session's agreed-upon, recommended UI bill.

- [A plain language summary of all the proposed changes in the 1999 UI Bill is attached to this outline.]

- As in the past, the 1999 UI Bill represents a balance of employer and employee interests and also reflects the input of employers, employees, the public and the legislature.

- Are there any questions that Mr. Frigo or I can answer for you?

- Thank you.