



**Wisconsin State AFL-CIO**

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**Wisconsin Manufacturers & Commerce**

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AB 742 (14)

TO: Members of the Senate Agriculture & Labor Committee  
Members of the Assembly Labor & Workforce Development Committee

FROM: Phil Neuenfeldt, Secretary-Treasurer, Wisconsin State AFL-CIO  
James A. Buchen, Vice President, Government Relations, WMC

DATE: January 23, 2002

RE: Support for Senate Bill 395/AB 742 - - UI Temporary Supplemental Benefits

**Background**

The Unemployment Insurance Advisory Council (UIAC) unanimously recommends creating the Temporary Supplemental Unemployment Insurance Benefits program contained in companion bills SB 395 and AB 742.

Based upon current and prospective economic conditions, as well as both labor and management concerns with the existing Wisconsin Supplement Benefits program, the UIAC believes that the proposed Temporary Supplemental Benefits program is the preferred alternative to current law.

**Support for Introduction and Passage**

Therefore, the labor and management representatives of the UIAC unanimously support introduction and passage of SB 395/AB 742, and urge the respective committees to take prompt action on these bills.

Attachment: WMC Special Report

January 2002  
Staff Contact:  
John Metcalf  
Director, Human Resources Policy

► Wisconsin Manufacturers & Commerce  
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## Wisconsin Unemployment Insurance Extended Benefits

Wisconsin's insured unemployment rate -- unemployment among those actually covered by the UI -- has climbed steadily during the past 18 months, and now averages above 4%. By contrast, last summer the insured unemployment rate (IUR) in Wisconsin was in the 2.5% range. As a result, by early March 2002 the Wisconsin Supplement Benefits (WSB) Program - a program under the current Wisconsin Unemployment Insurance (UI) Act that provides up to eight weeks of extended UI benefit eligibility to qualified unemployed workers who have not found reemployment when the insured unemployment rate averages above 4% - would likely have been activated.

### The Wisconsin Supplemental Benefit Program

The key components of the WSB are as follows:

#### On Indicator

- The insured UI rate for current and prior 12 weeks is equal to or greater than 120% of the same 13 week period in the prior two years AND is equal to or greater than 4%;
- OR the insured UI rate is equal to or greater than 5%.

The WSB eligibility period starts three weeks after "on" trigger.

#### Off Indicator

- The insured UI rate for the current and prior 12 weeks is less than 120% of the same 13 week period in the prior two years AND is less than 5%;
- OR the insured UI rate is less than 4%.

The WSB eligibility period stops three weeks after the "off" trigger occurs but the program operates for a minimum of 13 weeks once it triggers on.

#### Monetary Eligibility

Any existing regular UI claim that ends after the WSB period begins AND does not qualify for a new regular UI claim under any State, Federal, Railroad, or Canadian program for UI benefits.

Only claimants with a benefit year that ends within the WSB period qualify for extended benefits. The WSB period starts three weeks after the program triggers on.

#### Weekly Benefit Rate

The same as claimants' regular UI benefit rate.

#### Benefit Duration

The lesser of 40% of base period wages OR total of 34 weeks (26 weeks of regular UI benefits and eight weeks of WSB benefits). Claimants who qualify for regular UI benefits based on 40% of their base period wages would not receive any additional benefits. WSB was first established when Wisconsin reduced the payable weeks of regular benefits from 34 to 26. Claims based on 40% of base period wages would not have qualified for over 26 weeks so they were excluded from the program.

## Charges

The claimant weekly WSB benefit amounts are charged to the base period employer(s) at the same rate and manner as regular UI benefit charges. Employers already experiencing significant charges to their UI accounts from regular UI benefit claims would bear the burden through higher tax rates of the additional benefits.

## UIAC RECOMMENDED ALTERNATIVE

The Unemployment Insurance Advisory Council (UIAC) conducted a thorough review of economic conditions, the current and projected condition of Wisconsin's UI Trust Fund, and the operations of the current WSB program. As a result, the UIAC unanimously recommended that the WSB be set aside during this economic cycle, and replaced with the Council's proposed Temporary Supplemental Benefits Program (TSB). The Legislature is likely to act on the proposed TSB by March 1, 2002.

The UIAC recommended specific starting and ending dates for the TSB so that it will begin March 4, 2002 and terminate December 28, 2002. It further recommended that the TSB cease **immediately** upon the enactment of any federal government funded national extended benefits program.

The UIAC also recommended "non-charging" the benefits that will be paid through the TSB. In other words, no individual employer's UI account will be charged directly for the benefits, so that no employer's individual tax rates will be affected in 2003 by the extended benefits charges.

Finally, the UIAC recommended freezing the current lowest set of employer tax rates by law through the year 2003. The amount of regular UI benefits currently being paid would likely bring the balance in the UI Trust Fund very close to the level that would have automatically triggered higher tax rates in 2003. And, the payment of benefits through the WSB program would most certainly have resulted in a higher tax schedule for all employers in 2003.

## Proposed Temporary Supplemental Benefits Program

Criteria	UIAC Recommendation
On Indicator	Date Certain March 4, 2002
Off Indicator	<ul style="list-style-type: none"><li>• Date Certain December 28, 2002 or</li><li>• Federal Extended Benefits Become Available</li></ul>
Eligibility Period	<ul style="list-style-type: none"><li>• Exhaust Regular UI and</li><li>• Benefit Year in TSB Period and</li><li>• Benefit Year Beginning March 11, 2001 and Later</li></ul>
Duration of Period	<ul style="list-style-type: none"><li>• Date Certain December 28, 2002 or</li><li>• Availability of Federal Extended Benefits</li></ul>
Weekly Benefit Amount	Same as Regular Benefit Rate
Maximum Benefit Amount	<ul style="list-style-type: none"><li>• Lesser of<ul style="list-style-type: none"><li>✓ 8 X Regular Benefit Rate or</li><li>✓ 50% of Regular Benefits</li></ul></li></ul>
Charging of Benefit	Noncharge to the Solvency Account
Status of Existing WSB Program	Set Aside through 2002
Benefits Cost Estimate	\$100 to \$120M
Number of Potential Eligible Claimants	Total of 95,000 potential claimants
Reed Act Distribution	Credit Any 2002 Reed Act Distribution to the Trust Fund Retroactive to June 30, 2002

## DISCUSSION

Absent the alternative recommended by the UIAC, the Wisconsin's Supplemental Benefits program would become effective in a few short weeks. If activated, the WSB would result in higher tax rates for many Wisconsin employers at a time when those employers may be least prepared to pay the higher rates.

Equally important, under a current federal law known as the Reed Act, federal UI funds are scheduled to be distributed to the states October 1, 2002. The Reed Act distribution would cover nearly all of the anticipated costs of the proposed TSB.

The table below projects Wisconsin's UI Trust Fund activity through 2004 **without** the fiscal impact of either the WSB or the UIAC's proposed TSB.

If the Reed Act distribution does not occur as scheduled on October 1, 2002 the year end Trust Fund balance will be reduced by approximately \$100 million in 2002 and subsequent years, increasing the likelihood of higher tax schedules in earlier years.

### Unemployment Insurance Reserve Fund Balance 2000 – 2004 Actual and Projected

	2000 Actual (million\$)	2001 Projection (million\$)	2002 Official Forecast (million\$)	2003 Official Forecast (million\$)	2004 Official Forecast (million\$)
Opening Balance	1771	1815	1579	836	329
Taxes	442	434	442	492	639
Interest	118	110	84	31	10
Benefits	516	780	1269	1030	861
Closing Balance	1815	1579	836	329	117
Tax Schedule	D*	D*	D*	D* or C**	B**
Average IUR	2.1	2.9	4.1	3.4	2.8

\* Schedule D is the Lowest Tax Schedule

\*\* Possible Future Tax Schedules

For more information on the new Wisconsin UI extended benefits program or other aspects of the UI program call John Metcalf at 608/258-3400 or email: [jmetcalf@wmc.org](mailto:jmetcalf@wmc.org).

Before the Joint Senate and Labor Committee Hearing  
**Unemployment Insurance – AB 742 and SB 395**  
Wednesday, January 23, 2002, 9 A.M.  
State Capitol, Room 225 Northwest

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. Jean Hundertmark (R.)
  - Sen. Dave Hansen (D.)

for having this joint hearing on the Temporary Supplementary Benefits 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**

- ◆ SB 303 (2001 Act 36) directed the Wisconsin UI Advisory Council to study the need for a supplemental unemployment benefit program and, if the United States Congress failed to enact such a program at the national level, to make a recommendation to the Wisconsin legislature.

- ◆ The Council members met and fully analyzed the need for temporary supplemental benefits and the effect on the UI trust fund and employer taxes. They ultimately agreed upon the bill before you today.

### **Summary of the Bill.**

- ◆ The bill would provide temporary supplemental unemployment benefits to workers who have used all of their regular benefits.
  
- ◆ To be eligible for any week of benefits, a worker must:
  - Have started a new benefit year on or after March 11, 2001;
  - Have exhausted all regular benefits and still be unemployed;
  - Not be eligible for regular benefits in a new benefit year and not be eligible for unemployment benefits in another state or under any federal program.
  
- ◆ The maximum amount payable is 8 times the individual's regular benefit rate or 50% of the regular benefits received in the exhausted claim, whichever is less.
  
- ◆ The weekly benefit rate is the same as for the exhausted claim.
  
- ◆ Benefits are payable only for weeks of unemployment beginning on March 3, 2002 and ending on December 28, 2002.
  
- ◆ For taxable employers, supplemental benefits will be charged to the UI trust fund balancing account, not to those employers' accounts.

### **III. Fiscal Effects of the Bill**

- ◆ If enacted, the bill would:
  - Provide some supplemental benefits to up to 95,000 unemployed workers.
  - Cost \$100 – \$120 million

### **IV. The Need for Temporary Supplemental Unemployment Benefits.**

- ◆ Over the past year, Wisconsin has experienced a significant increase in the rate of unemployment and in claims for unemployment benefits, exacerbated by the attacks of September 11, 2001. The increase in benefit claims has been more than 40% in that period. The number of workers who have exhausted their benefits has increased by more than 40% or more than 17,000 in the same period.
  
- ◆ The existing WSB program would not reach significant numbers of unemployed workers and under current law, taxable employer accounts would be charged for supplemental benefits.



- ◆ The council is hopeful that Congress will still act to implement a national program of supplemental benefits, funded by federal dollars. In the meantime, the Council feels an obligation to have this program to assist the unemployed in very difficult times.

*Senate*

**Committee on Labor and Agriculture  
Senator Dave Hansen, Chair**

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**PAPER BALLOT**

**Date:** January 30, 2002

**Bill:** Assembly Bill 742 -- Relating to temporary supplemental unemployment insurance benefits and certain other changes to the unemployment insurance law.

**Motion:** Passage

**Moved by:** Hansen

**Seconded by:** Decker

**Aye:**  **No:**



\_\_\_\_\_  
Senator Dave Hansen

Please return to Senator Hansen's office (by messenger) by **NOON TODAY (1/30/02)**.

Please call the Committee Clerk, Lisa Ellinger, at 266-5670 if you have any questions.

*Senate*

**Committee on Labor and Agriculture  
Senator Dave Hansen, Chair**

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Senator Russ Decker

Please return to Senator Hansen's office (by messenger) by **5 pm TODAY (1/30/02)**.

Please call the Committee Clerk, Lisa Ellinger, at 266-5670 if you have any questions.

Senator Lasee  
109 South

*Senate*

**Committee on Labor and Agriculture  
Senator Dave Hansen, Chair**

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**Date:** January 30, 2002

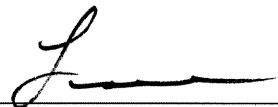
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\_\_\_\_\_  
Senator ~~Steve Hansen~~ *Alan J. Lasee*

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Senator Harsdorf  
3 South

*Senate*

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Sheila Harsdorf  
Senator ~~Alan Lasee~~ Sheila Harsdorf

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Senator Baumgart  
306 South

*Senate*

**Committee on Labor and Agriculture  
Senator Dave Hansen, Chair**

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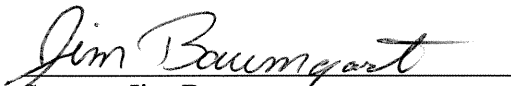
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Senator Jim Baumgart

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