



**Wisconsin State AFL-CIO**

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SB395 (12)

**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

# WMC SPECIAL REPORT

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

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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).



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# BOB JAUCH

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## WISCONSIN STATE SENATOR

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January 23, 2002

### State Senator Bob Jauch

#### **Testimony before the Joint Committee on Labor and Agriculture on Senate Bill 395** *Creation of the eight-week Temporary Emergency Unemployment Compensation Plan*

Thank you Chairs Hanson and Hundertmark, and members of the committee for allowing me the opportunity to provide my testimony this morning.

Today this committee will take action on Senate Bill 395, which extends unemployment benefits by eight weeks. This bill is the result of Senate Bill 303, which mandated a recommendation from the Unemployment Insurance Advisory Council to the legislature on a state emergency unemployment compensation plan, if Congress failed to enact such a plan by January 1<sup>st</sup> of this year.

As Congress did not extend benefits on federal level by the deadline under SB 303, the Council met on January 10<sup>th</sup> and made the following recommendations:

- Extend benefits by eight weeks for claimants that have exhausted their regular benefits between March 11<sup>th</sup>, 2001 and December 28<sup>th</sup>, 2002. This extension will cost \$109 from the unemployment compensation trust fund.
- Should the trust fund dip below the \$1.2 billion trigger for a new, higher tax schedule on employers, that tax schedule will be delayed until January 1, 2004.


Though I have favored a 13-week extension to insure that workers laid off this fall could receive aid through the summer, this recommendation should be applauded, as it implements the intent of the legislation we passed in November, and fulfills a promise made to workers that our trust fund will continue to provide some measure of economic assistance for families until they are able to get back on their feet.

This proposal needs, and deserves, to pass for three reasons: First, the need to assist workers is clear. Second, this proposal is responsible, and economically sound. Third, it is imperative that Wisconsin takes a national lead on this issue.

**Wisconsin needs to act to protect unemployed workers and their families.** We simply cannot wait until the picture becomes even bleaker for the unemployed. Wisconsin's unemployment rate is the highest it's been since 1984. Some cities and counties are experiencing rates of 10% or more. Continuing spikes in unemployment and new jobless claims are creating an economic crisis for workers and their families across the State. These are workers who want to work, but find limited job opportunities available to them.

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They have a great expectation that Government will be on their side to help them pay their bills. This extension will offer critical assistance to help them sustain their families until the economy begins to recover.

We have a moral obligation as well as an economic interest to helping these families buy their groceries, pay their mortgages, their heating bills, insurance, car payments and in some cases tuition. We must offer them economic support to help them through the difficult times until the economy improves and they find jobs.

**This extension is responsible and economically sound.** It balances the needs of employers and workers by ensuring that business will not suffer from a higher tax schedule while we act to extend benefits. This \$25 million assistance will be a great benefit to Wisconsin business at a time of economic need.

And while there is a concern that the fund is suffering due to the immense volume of new unemployment claims in recent months, Wisconsin's fund is one of the strongest in the nation, and is capable of sustaining a \$109 million charge to assist these workers, who have no other means of support.

**Wisconsin needs to take the lead to assist the unemployed.** If this extension is passed, Wisconsin will become the first State in the nation to enact such a plan. I am extremely proud that Wisconsin is once again a leader in protecting workers and their families.

It is my belief that prompt action by the Legislature will stimulate Congressional action to provide protection across the nation, I will continue to work with the business leaders, labor leaders and the Governor is pressing Congress for action that could extend benefits by as much as 13-weeks. It is important to note that if Congress does eventually pass a national extended benefits plan, federal dollars would supersede state money.

As I said in November, Wisconsin needs to take a lead on this issue, and send a positive pro-worker message that will set an example, and perhaps create the momentum for similar action in Washington.

Extending benefits is recognition of the severity of the unemployment crisis in Wisconsin, and helps to meet our moral and economic obligation to workers, who have been left without employment through no fault of their own. We owe these workers and their families the kind of basic assistance that they expect and need from their government.

I hope for quick action, and urge you to support of Senate Bill 395.

Sincerely,

Bob Jauch  
State Senator

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.

# Vote Record

## Senate - Committee on Labor and Agriculture

Date: 1/23/02  
 Moved by: Hansen Seconded by: Baumgart  
 Clearinghouse Rule: \_\_\_\_\_  
 AB: \_\_\_\_\_ SB: 395 Appointment: \_\_\_\_\_  
 AJR: \_\_\_\_\_ SJR: \_\_\_\_\_ Other: \_\_\_\_\_  
 AR: \_\_\_\_\_ SR: \_\_\_\_\_

A/S Amdt: \_\_\_\_\_ to A/S Amdt: \_\_\_\_\_  
 A/S Sub 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. David Hansen, 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 type="checkbox"/>	<input type="checkbox"/>
Sen. Jim Baumgart	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Alan Lasee	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Sen. Sheila Harsdorf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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