Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2003 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **03-3121/1**	Introduction Number **AB-668**

Subject

Unemployment insurance - various changes

Fiscal Effect

State:

☐ No State Fiscal Effect
☐ Indeterminate

☒ Increase Existing Appropriations
☐ Decrease Existing Appropriations
☒ Create New Appropriations

☐ Increase Existing Revenues
☐ Decrease Existing Revenues

☒ Increase Costs - May be possible to absorb within agency's budget
☒ Yes ☐ No
☐ Decrease Costs

Local:

☐ No Local Government Costs
☐ Indeterminate

1. ☒ Increase Costs
   ☐ Permissive ☒ Mandatory
2. ☐ Decrease Costs
   ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
   ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
   ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   ☒ Towns ☒ Village ☒ Cities
   ☒ Counties ☐ Others
   ☒ School Districts ☒ WTCS Districts

Fund Sources Affected

☒ GPR ☒ FED ☒ PRO ☐ PRS ☒ SEG ☐ SEGS

Affected Ch. 20 Appropriations

20.445(1)(ne), 20.445(1)(nb), and 20.445 (1)(gg)

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

DWD 11/18/2003

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Assumptions Used in Arriving at Fiscal Estimate

The bill would strengthen the Unemployment Reserve Fund by permitting transfer of present compensating balances in the amount of approximately $72 million to the federal Unemployment Reserve Fund. The State's account in the Reserve Fund would earn an estimated $4.3 million annually, given the formula that the federal government is legally obligated to use for computing interest paid to states on their Unemployment Insurance accounts. The compensating balances are currently used to offset fees in the amount of approximately $800,000 annually for banking services currently incurred by the Unemployment Insurance program. The fees will be paid from a new appropriation 20.445(1)(ne), which is created to receive federal money returned to the state for unemployment administration and deposited in appropriation 20.445(1)(n). If the interest differential between earnings in the Unemployment Reserve Fund and earnings on compensating balances reverses itself, the bill would allow the State to reinstate its compensating balances.

The amount of $2.5 million in federal funding is also appropriated for each year of the biennium in appropriation 20.445(1)(nb) for the purpose of replacing the automated system used for paying unemployment insurance benefits and processing appeals. The underlying software has been in use since 1979 and is considered obsolete. It is also expensive to maintain. Interest and penalties charged to delinquent employers and claimants in the amounts of $430,200 for each year of the biennium are also appropriated for the same purpose in appropriation 20.445(1)(gg).

The bill would continue the present administrative fee on taxable employers for technology improvements. Estimated revenue from the fee is approximately $2.3 million in each year of the biennium. No changes to the appropriated amounts are needed at this time. As in previous years, the solvency tax of employers charged the fee will be reduced by an amount equal to the fee.

Pursuant to a court order, the department was directed to suspend temporarily disqualification from benefits and imposition of requalifying requirements when applicable to claimants who enter training for dislocated workers covered by the Workforce Investment Act. When the training is completed, the department reimposes the suspensions and requalifying requirements if any are still outstanding. The specific case involved a worker who was laid off in a plant closing by a large manufacturer, was authorized to receive federal funds for retraining, entered the first semester of technical school retraining at his own expense, took and later quit an apple picking job of short duration during that first semester, and was then disqualified from unemployment benefits because of the quitting. The court ordered payment of benefits while the claimant was in training. The bill does not substantively change provisions under which the court order was issued. However, for the sake of avoiding repeated litigation on the same basic issue in a variety of situations that differ in their particulars, the bill would change the law with respect to closely related but less common circumstances. The estimated cost of these changes is $500,000 annually. Benefit charges arising after these situations occur would not be charged to employers' accounts that affect employers' tax rates but instead to the balancing account. Under the bill the amount of $400,000 would also be charged to the balancing account annually with respect to cases directly affected by the court order.

To facilitate the use of training opportunities authorized by the department for claimants without prospect of reemployment, the bill would permit payment of benefits when these claimants participate in training on less than a full time basis. It is anticipated that Unemployment Insurance benefit payments will increase by approximately $1 million annually as a result of this provision.

Of the total amounts involved in the provisions related to training, it is expected that $16,400 would be spent annually from appropriations in the state budget. The $16,400 is divided among appropriation types on the basis of the total amounts found in these appropriation types in the state budget for 2004-2005. Localities are expected to incur $27,100 in additional cost from these provisions. Private nonprofit organizations are likely to incur approximately $18,000 in cost and private taxable employers the remainder.

Long-Range Fiscal Implications

Wisconsin Department of Administration
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Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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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 funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$16,400	
(FTE Position Changes)		
State Operations - Other Costs	3,730,200	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$3,746,600**	**$**
B. State Costs by Source of Funds		
GPR	7,700	
FED	3,304,200	
PRO/PRS	432,600	
SEG/SEG-S	2,100	

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$3,746,600	$27,100
NET CHANGE IN REVENUE	$	$

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