Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2009 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **09-2807/1**	Introduction Number **AB-0255**

Description

eligibility for unemployment insurance benefits and payment of extended benefits; excluding recovery and reinvestment act moneys from the calculation of expenditure restraint payments; eligibility for participation in the programs of a community action agency; financial assistance under the Clean Water Fund Program and the Safe Drinking Water Loan Program; the confidentiality of pupil records provided to the Department of Public Instruction; financial assistance for criminal justice programs; authorizing political subdivisions to make residential energy efficiency improvement loans and impose special charges for the loans; definition of low-income household under energy and weatherization assistance programs; eligibility and notice changes for state continuation of coverage for health insurance; changes to enterprise zone jobs credits; providing an exemption from emergency rule procedures; granting rule-making authority; and making an appropriation.

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

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives
DOA 5/5/2009

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Assumptions Used in Arriving at Fiscal Estimate

See attached document for fiscal effect of AB-255.

Long-Range Fiscal Implications

Fiscal Effect of American Recovery and Reinvestment Act (ARRA) Legislative Items and Job Creation Initiatives of companion LRB 2807/1 and LRB 2697/4 drafts.

The following describes the provisions and fiscal effect of separate legislation that the Governor has requested be introduced to create and retain jobs and make changes to state law to enable Wisconsin to fully implement ARRA provisions and compete for ARRA funding.

Department of Commerce
Modify the Enterprise Zone Program to add job retention as an eligible certification criterion to establish a zone; require companies to make a significant capital investment and to have either over 500 employees or to be an original equipment manufacturer (OEM) with a significant Wisconsin supply chain; provide refundable tax credits for up to seven percent of payroll; and limit tax credit claiming to five years.

The Enterprise Zone Tax Credit Program was created to encourage businesses to invest and create jobs in areas of the state that have great economic need. Commerce is authorized to certify up to 10 zones that may be in existence for no longer than 12 years. Eligible businesses may claim the tax credits based on business payroll expansion and qualified training expenses.

Fiscal Effect:
The modification to the Enterprise Zone Program adds job retention as an eligible certification criterion to establish a zone. The number of permissible zones does not increase, remaining at 10 zones. The cost of the modification is indeterminate at this time as the cost is dependent on a number of variables including, the timing of tax credit claims, the amount of a claimant's zone payroll, the amount of increase in the claimant's zone payroll, whether the zone resides in a Tier I or Tier II county or municipality and the amount of credits claimed for job training, etc.

Public Service Commission
Permit counties, municipalities, villages and towns to provide loans for energy efficient improvements to residences. Residents would repay these loans via special charges on their property tax bills. Although special charges are not payable in installments under current law, these special charges for energy efficiency improvements could be paid in installments.

Fiscal Effect:
It is estimated that $34.7 million in formula grants will be allocated through the energy efficiency and conservation block grant program under ARRA to 21 municipalities and 10 counties. An additional $2.1 million will be available to other local governments on a competitive basis. The bill authorizes local governments to provide loans for energy efficient improvements to residents. A portion of the energy efficiency and conservation formula grants could be used by local governments to create such a program; however, it is unknown whether any local governments will use the grants for this purpose.

There is no state fiscal effect.

Department of Administration

Modify the income eligibility levels for the Weatherization Assistance Program and the state's Low Income Home Energy Assistance Program eligibility limit to 60 percent of statewide median household income. This change will help streamline the application process and help distribute these funds faster and more effectively.

Fiscal Effect:

The state expects to receive ARRA weatherization funds of $79,462,859 in FY09 and $62,039,274 in FY10

If the proposed language change is not made, DOA would have administrative expense to develop and implement a new IT system to manage a dual eligibility program, since the state would have one set of guidelines for public benefits low-income heating and weatherization funding and one set of guidelines for any federal weatherization funding received. It has not been estimated what that system could potentially cost. Further, there would be an indeterminate fiscal impact upon low-income households which would not have access to funds while the state develops a dual eligibility system. The proposed change will allow Wisconsin to continue to operate an efficient, single eligibility program for low-income household heating and weatherization assistance.

Department of Workforce Development

Authorize unemployment insurance (UI) modernization changes in order to receive additional federal incentive funding that is available to states that reform UI eligibility rules to increase benefit coverage. Under UI modernization, Wisconsin could receive $134 million in incentive payments for UI benefits. To meet modernization requirements, states are required to enact alternative base periods, which already exist in the Wisconsin unemployment insurance program, and two of four additional requirements. The Unemployment Insurance Council recommends that Wisconsin adopt the following two requirements:

1. Allow benefits for compelling family reasons; and

2. Authorize extended benefits if completing an approved training program.

Extended Benefits: During certain periods of high unemployment, claimants who have exhausted all benefits may qualify for additional weeks of extended benefits. Under ARRA legislation, the full share of these benefits is paid by the federal government. Wisconsin needs to make technical corrections to existing extended benefits law to conform with federal law.

High Extended Benefits: Under ARRA legislation, during periods of extremely high unemployment rates, claimants who qualify for extended benefits may qualify to receive an additional seven weeks of extended benefits, which are paid in full by the federal government. Wisconsin needs to establish a trigger of an average rate of total unemployment that equals or exceeds 8 percent for the most recent three months to receive high extended benefits. This higher trigger will sunset when the ARRA benefit ends.

Fiscal Effect:

UI Modernization. Wisconsin's potential share of these funds is $133.9 million. Eligibility for one-third of the funds, $44.6 million, is contingent on a state having an "alternate base period" in its law, which Wisconsin already has.

To receive the remaining two thirds of our allocation, $89.3 million, Wisconsin is required to adopt two out of four suggested provisions in our UI law. The Governor recommends that Wisconsin adopt the following two requirements that would:

1. Allow benefits for compelling family reasons; and
2. Authorize extended benefits if completing an approved training program.

The UI modernization payments would be used to reduce the Trust Fund loan. Wisconsin would be responsible for implementing and funding the above provisions immediately and post-ARRA funding. The costs for the compelling family reasons provision are estimated at $5.1 million per year and the costs for the training provision are estimated at $6.2 million per year; totaling $11.3 million per year.

Extended Benefits. The 1970 federal-state Extended Benefits program provides 13 weeks of benefits funded 50 percent state and 50 percent federal. Under ARRA, 100 percent of extended benefits would be paid with federal funds in 2009. It is difficult to estimate, but using the current workload projection which is based on limited Extended Benefits data, $15 million-$20 million FED is expected in FY09 and $90 milion-$100 million FED is expected for FY10. These dollars represent the 50 percent in state funds that would have been paid without ARRA. The estimate is based on the assumption that the economy begins improving in late 2009.

High Extended Benefits. Enactment of a High Extended Benefit program will permit the payment of an estimated $60 million-$80 million in benefits for the remainder of calendar 2009. All benefits will be federally funded and paid almost exclusively in FY10. Claimants may receive an additional seven weeks of extended benefits.

Office of the Commissioner of Insurance

Provide federal ARRA health insurance subsidies for individuals who have lost their jobs at companies with fewer than 20 employees by amending state law to match the requirements of the federal Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). Health insurance continuation coverage changes in ARRA provide a 65 percent federal subsidy of the costs of continuing health insurance for up to 9 months for qualifying individuals who have been involuntarily terminated from employment. This subsidy is only available to individuals terminated from companies with fewer than 20 employees if state continuation provisions are comparable to the federal law.

Fiscal Effect:

The OCI COBRA provision will be paid directly to businesses through a reduction in federal tax collections. No ARRA funding will be received or passed through state appropriations.

The number of individuals is not known at this time as we cannot project how many people will be laid off in businesses with fewer than 20 employees, how many of those individuals will choose to continue COBRA insurance coverage, and for how many months they will rely on the subsidy.

Department of Natural Resources
Allow ARRA clean water and drinking water funds to be distributed as grants or loans at interest rates that may differ from the rates provided under current law and allow forgiveness of a portion of the principal amount of a loan.

Increase the present value subsidy by $105,948,300 for the Clean Water Fund Program and $37,750,000 for the Safe Drinking Water Fund Program to account for ARRA funds received.

Fiscal Effect:
The state expects to receive the following funding under ARRA:

Clean Water	$105,948,300
Safe Drinking Water	$ 37,750,000

Department of Children and Families
Increase eligibility for community services block grant (CSBG) funding from 125 percent to 200 percent of federal poverty level (FPL). To provide more flexibility to spend the CSBG, ARRA allows states to increase the income eligibility limit from 125 percent to 200 percent of FPL for fiscal years 2008-09, 2009-10 and 2010-11 (through September 30, 2010). The CSBG is distributed by states primarily to community action agencies and other entities to support efforts that reduce poverty, revitalize low-income communities, and lead to self-sufficiency among low-income families and individuals.

Fiscal Effect:
The state will receive $12.67 million in FY10 in CSBG funds under ARRA. It is not possible to estimate how many additional people may be served as a result of the eligibility increase; however, Department of Revenue data shows that in Wisconsin in 2005, there were almost 148,000 households with approximately 309,500 dependents that were at or below 125% of FPL, and 262,500 households with 528,600 dependents at or below 200% of FPL.

Office of Justice Assistance
Create a new federal appropriation in the Office of Justice Assistance for receipt of ARRA funding for the Byrne and Justice Assistance Grant criminal justice programs.

Fiscal Effect:
The state expects to receive $18,843,600 under ARRA for Byrne and Justice Assistance Grants.

Department of Revenue
Exclude expenditures made related to ARRA funding from the Expenditure Restraint Program (ERP). Municipalities are eligible for an expenditure restraint payment if the increase in their municipal budgets is below a certain percentage that is tied to inflation. Since most ARRA funding cannot supplant current funding, the influx of new money may cause otherwise-eligible municipalities that have limited budget growth to spend out of eligibility for ERP.

Fiscal Effect:
A local government that limited non-ARRA spending for any year in a manner that complies with eligibility under the expenditure restraint program should be eligible for an expenditure restraint payment.

There is no state fiscal effect.

Department of Public Instruction
Repeal the requirement for the Department of Public Instruction to keep confidential any pupil records it receives from local school districts so that K-12 and post-secondary institutions can share data in support of education reform efforts. Student record confidentiality will still be protected under the existing federal Family Educational Rights and Privacy Act (FERPA).

Fiscal Effect: None