

Fiscal Estimate Narratives

DWD 3/22/2013

LRB Number	13-1596/1	Introduction Number	AB-0015	Estimate Type	Updated
Description Payment of unemployment insurance benefits under a work-sharing program					

Assumptions Used in Arriving at Fiscal Estimate

This program provides an additional means for employers interested in reducing employee hours, but wishing to retain employees. This allows for distributing hour reductions across staff rather than full, individual layoffs. This fiscal estimate assumes this program does not lead to additional hours in layoffs but rather a redistribution of the hour reduction and benefits paid. For this reason, the amount of benefits paid is expected to be similar, but distributed among more individuals.

Federal funding is available for both benefit payments and administrative costs. Federal administrative funding is not affected by sequestration however, federal funding for benefit payments has been reduced from 100% to 94.9% until the close of federal FY2013. If sequestration is not extended beyond federal FY2013, federal funding for benefits would increase to 100%, through August 2015. After 2015 there is no federal funding for benefit dollars and benefit payments will again come from the trust fund.

For administrative costs, Wisconsin could receive up to \$641,216 of federal monies for implementation costs and \$1,282,434 for promotion and enrollment activities. However, if the program ends in less than 5 years, these federal administrative dollars may be recouped.

Long-Range Fiscal Implications

This program provides an additional means for employers interested in reducing employee hours, but wishing to retain employees. This allows for distributing hour reductions across staff rather than full, individual layoffs. This fiscal estimate assumes this program does not lead to additional hours in layoffs but rather a redistribution of reduced hours. For this reason, the amount of benefits paid is expected to be similar, but distributed among more individuals.

Through August 2015, benefits would be almost entirely federally funded providing a one-time savings to the trust fund. After August 2015 there is no federal funding for benefit dollars and benefit payments will again come from the trust fund. Annual costs will be minimal for staff time fielding inquiries and verifying program qualifications. These costs can be absorbed with existing resources.

NOTE: There could be local impacts due to reimbursable employers. However, at the time this fiscal was due, the LOCAL FISCAL EFFECT portion above was not available.

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Payment of unemployment insurance benefits under a work-sharing program			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
<p>One-time costs include \$456,000 for IT System changes to track programs, employers and claimant participation, hour reductions, calculate benefit amounts etc. Specifically, this is estimated to take 6000 hours of programming at \$75 per hour, utilizing 5 programmers for approximately 8 months to complete. We would make this a priority at the direction of the legislature, but would be hard pressed to accelerate the timeline even with additional resources given the specialized knowledge required. Additionally, \$5000 for staff training on details and implementation of the program would be used. There is potential for federal funding for above administrative costs, provided the bill is federally compliant. If the state received these federal administrative dollars and the program ended in less than 5 years, the federal administrative dollars may be recouped. This estimate assumes employers will participate in this program at a similar rate to their overall unemployment insurance benefit payments. The federal funding of work share benefits is available through August 2015, after which payments are treated as regular unemployment insurance benefits. Assuming an implementation date of December 31st 2013, accounting for the end of federal funding of work share benefits in August 2015, and assuming federal sequestration is not extended into federal FY 2014, the short term savings is estimated as follows; approximately \$4.7 million to covered employers (the trust fund), and up to \$188,000 savings to state and local reimbursable government employers (\$35,720 of this is at the state level and \$152,280 at the local level). If sequestration were to continue beyond federal FY 2013 at the same level, the savings to covered employers (trust fund) and reimbursable government employers would be slightly lower than estimated above.</p>			
II. Annualized Costs:	Annualized Fiscal Impact on funds from:		
	Increased Costs Decreased Costs		
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
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	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		

SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By	Authorized Signature	Date
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