Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2013 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **13-2452/2**	Introduction Number **AB-0219**

Description
Various changes in the unemployment insurance law; license revocations based on delinquency in payment of unemployment insurance contributions; granting rule-making authority; providing a penalty; 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

DWD 6/3/2013

LRB Number **13-2452/2**	Introduction Number **AB-0219**	Estimate Type **Original**
Description Various changes in the unemployment insurance law; license revocations based on delinquency in payment of unemployment insurance contributions; granting rule-making authority; providing a penalty; and making an appropriation		

Assumptions Used in Arriving at Fiscal Estimate

The impact to the UI Trust Fund is based upon projecting Unemployment Insurance benefits and contributions over a five-year business cycle which includes expansionary and recessionary periods. This provides the best average annual forecast of the expected costs and/or savings to the UI Trust Fund when the change is fully implemented.

These proposed law changes are expected to result in a UI Trust Fund savings of approximately $11.5 million annually. This net savings is a combination of an $8.6 million annual increase in benefits paid ($8.1 million affecting taxable employers), a $3.0 million annual increase in UI contributions due to the increased benefit entitlement, and a $16.6 million annual savings to the UI Trust Fund balancing account.

The increase in benefit entitlement raises the cost for state and local government by $217,640 annually. However, reimbursable employers, including government employers, pay for their portion of the Extended Training program. The proposed elimination of this program provides an annual savings of $204,120 to state and local governments, resulting in a net increase of $13,520 annually to state and local governments for UI expenditures.

Specific assumptions are enumerated below.

UI handbook for employers:
Changing the law to require a revised UI Employer Handbook is not expected to impact the UI Trust Fund. Administrative costs are expected to be approximately 200 hours, or a one-time cost of $11,415.

Registration and search for work:
A bill that requires claimants to provide to the Department requested information including job application materials and participate in reemployment services and training programs/workshops is not expected to impact the UI Trust Fund. There are no real changes to current practices, rather a foundation is being laid for future expansion. No IT or administrative costs are expected.

Departmental errors; payments to unintended payees; actions against third-party transferees:
Changing the law regarding what constitutes departmental error is expected to reduce benefit payments by approximately $1 million annually that is currently charged to the solvency account. The intent of this change is to protect the UI Division and the UI Trust Fund from all types of future UI payment errors. Administrative costs are expected to total 577 hours at a one-time cost of $22,938.

Prohibiting concurrent receipt of UI and SSDI benefits:
Changing the law to disqualify a claimant from receiving Social Security Disability (SSDI) and UI benefits in the same week will decrease benefit entitlement by approximately $2.4 million. This figure is based on data from Minnesota that tracks claimants that have SSDI issues and projecting to claiming activity in Wisconsin. This change is expected to improve the UI Trust Fund balance by $2.3 million annually. IT costs are expected to be 640 hours or $48,640. Administrative costs are expected to total 332 hours at a one-time cost of $12,876. Ongoing adjudication costs are expected to be $6,335 annually.

Claimant security credentials:
A change to the law that codifies current claimant responsibility not to divulge their PIN, username and password that enables him or her to use the claimant portal. This will reduce overpayments resulting from fraudulent claims and is expected to decrease benefit entitlement by approximately $195,500. This equates to a UI trust fund savings of approximately $184,000 annually. Administrative costs are expected to total 95 hours at a one-time cost of $3,731.

Failure of claimants to provide requested information:
A change to the law to make a claimant who fails to provide the Department (DWD) with information pertaining to his or her eligibility for benefits and/or demographic information ineligible to receive benefits is not expected to impact the UI Trust Fund. We expect individuals to be educated and aware that in order to claim UI benefits they will need to provide all information requested by the Department. Administrative costs are expected to total 207 hours at a one-time cost of $7,883.

Financial record matching program:
A change to the law would enable the Department (DWD) to identify the accounts of delinquent debtors through a quarterly financial record match process. When the Department of Revenue implemented a similar system in the beginning of 2009, they saw their collections increase by 11% in that year. Assuming an 11% increase over the current overpayment collections rate, the amount would lead to an increase in overpayment collections and increases the UI Trust Fund by an additional $8 million annually. IT costs are expected to be 220 hours or $16,720. Administrative costs are expected to total 120 hours at a one-time cost of $5,080.

Benefit amounts:
The maximum weekly benefit rate would increase by $7, or from $363 to $370 under this bill. Looking at benefit payments averaged over the business cycle, the increase in the maximum weekly benefit rate is expected to increase benefit entitlement by $12.0 million annually. This equates to a decrease to the UI Trust Fund balance of $11.3 million annually. IT costs are expected to be 515 hours or $39,140. Administrative costs are expected to total 80.5 hours at a one-time cost of $2,721.

Changing requalification framework when a claimant fails to accept suitable work or recall from a former employer:
Generally claimants who fail to accept suitable work are deemed ineligible to receive benefits. To again be eligible for benefits four weeks must have elapsed from when the claimant refused the suitable work and the claimant must have earned wages after not accepting the suitable work that are equal to at least four times the claimant's weekly benefit rate. This proposal would change the current four by four requalification framework to provide that a claimant must have earned six times the weekly benefit rate as a requalification framework and this change is projected to have no significant impact on the UI Trust Fund. Taking the outcome of a random case sample and projecting it to the 2012 population affected by this law change results in a UI Trust Fund savings of $4,700 annually. IT costs are expected to be 256 hours or $19,456. Administrative costs are expected to total 207 hours at a one-time cost of $7,883.

License revocations based on UI tax contribution delinquencies:
Proposal would enable the Department to identify delinquent debtor accounts in which the owners, corporate officers or members require licensure by the State. The department could then require license holders to be current on their UI taxes or face non-renewal, discontinuation, suspension or revocation of their license. At this point the UI system is unable to identify how many employers are delinquent in paying UI contributions and would also have licensing requirements. However, field staff analysis indicates that it would represent a small fraction of employers. Impacts to the UI Trust Fund are unknown, but are expected to be small. IT costs are expected to be 700 hours or $53,200. Administrative costs are expected to total 60 hours at a one-time cost of $2,540.

Providing more efficient access to DOT database:
This change to the law will allow for UI personnel to more efficiently perform searches they are already performing. The impact to the UI Trust Fund by allowing the Department (DWD) to search the DOT/DMV database by SSN, in addition to their already established data sharing agreement, is unknown. Since the searches are already being done, albeit in a more time consuming manner, we are unable to quantify an impact. IT costs are not determined. Administrative costs are expected to total 60 hours at a one-time cost of $2,540.

Treatment of limited liability companies consisting of the same members:
Currently under Wisconsin law different LLCs with the same members are treated as a single employer. To conform with federal law, in practice LLCs are all treated as separate entities. Given that this codifies existing practice there is no expected impact to the UI Trust Fund. IT costs are expected to be 40 hours or $3,040. Administrative costs are expected to total 20 hours at a one-time cost of $1,255.

Due date for successorship applications:
A change to the law to allow the Department to accept an employer's late successorship application when the application is late as a result of excusable neglect. This proposal is not expected to impact the UI Trust Fund. IT costs are expected to be 80 hours or $6,080. Administrative costs are expected to total 20 hours at a one-time cost of $1,255.

Interest on delinquent payments:
A change to the law allowing the Department to write-off interest when deemed appropriate by the Bureau of Tax and Accounting when an employer later makes the required payment and the payment was tardy due to circumstances beyond the employer's control, is not expected to impact the UI Trust Fund, as interest is credited to the UI Administrative account and not to the UI Trust Fund. Administrative costs are expected to total 20 hours at a one-time cost of $1,255.

Tardy filing fees:
A change to the law to increase the tardy filing fee for employers to $100 or $20 per employee, whichever is greater, but if the employer later files the required report the fee may be decreased to $50 for each delinquent quarterly report. The tardy filing fees assessed are credited to the UI Administrative Account and not to the UI Trust Fund, thus there is no impact on the UI Trust Fund. IT costs are expected to be 100 hours or $7,600. Administrative costs are expected to total 20 hours at a one-time cost of $1,255.

Treatment of cafeteria plan amounts in benefit calculations:
A change to the law that restricts payments to cafeteria plans from being included in base period wages for determination of the amount of benefits paid to a claimant is expected to decrease benefit entitlement by approximately $0.5 million annually. This figure is based on data collected from a random case sample and projecting the outcome from this research to the 2012 population affected by the law change and then taking into consideration future benefit claiming activity and averaging. This equates to an increase to the Trust Fund balance by $470,000 annually. Administrative costs are expected to total 120 hours at a one-time cost of $5,201. There will be an administrative savings in staff time of $35,101 annually.

Electronic database of decisions and initial training and continuing education for appeal tribunals (ALJs):
A proposal to require the Labor and Industry Review Commission (LIRC) to maintain a database of UI decisions for use by Department personnel as well as requiring the Department to provide mandatory training for ALJs is not expect impact the UI Trust Fund. No IT or administrative costs are expected as we already have a LIRC database and have already starting training ALJs by UI training staff.

Treatment of services performed by prison inmates:
A change to the law that excludes covered private employer wages earned by a prisoner in a work release program is not expected to impact the UI Trust Fund. IT costs are expected to be 128 hours or $9,728. Administrative costs are expected to total 127 hours or a one-time cost of $5,116.

Online portal for filing complaints:
A proposal to require the Department to create and maintain an online portal for employers to log in and file complaints is not expected to impact the UI Trust Fund. IT costs are expected to be 200 hours or $15,200. Administrative costs are expected to total 160 hours at a one-time cost of $6,370. The Department estimates that the ongoing administrative cost for 3 FTE (full time equivalent) will be $314,560 annually.

Clarification of UI Employer Taxes:
A proposal that requires the Department to clarify and provide definitions on reports and/or educational material to employers that clearly define how reserve fund balances operate is not expected to impact the UI Trust Fund. Administrative costs are expected to be 200 hours or a one-time cost of $11,415.

Work search audits of claimants:
A proposal that requires random work search audits, and the results of these audits tracked and reported in the annual fraud report is expected to reduce benefit entitlement by approximately $263,000 annually. This equates to an increase to the Trust Fund balance by $247,000 annually. Ongoing adjudication costs are expected to be $42,122 annually.

Submittal dates for department reports:
A proposal that changes the timing of required DWD reports is not expected to impact the UI Trust Fund. There are no expected IT or administrative costs.

Extended Training benefits:
A proposal that eliminates Extended Training (ET) benefits is expected to reduce benefit entitlement by approximately $8.1 million annually. This figure is based on determinations allowing ET benefits in 2012 and taking into consideration future benefit claiming activity. This equates to an increase to the UI Trust Fund balance by $7.6 million annually. IT costs are expected to be 317 hours or $24,092. There will be an administrative savings resulting from fewer adjudication issues of $57,660 annually.

Standard affidavit form:

A proposal that requires the Department to develop a standardized witness form for use in UI hearings is not expected to impact the UI Trust Fund. IT costs are expected to be 64 hours or $4,864. Administrative costs are expected to be a one-time cost of 30 hours or $1,573.

Fraud investigation positions:
A proposal that requires the Department to request funds from the Department of Labor (DOL) to hire 3 additional staff to investigate fraud would equate to a UI Trust Fund balance increase of $1,630,709 annually. This is based on the 2012 fraud report Wages and State New Hire Cross Match overpayment amounts and cases resolved, dividing by the current number of workers in the fraud cross match section and taking into consideration an average overpayment collection rate of 79%. Hiring 3 additional FTE fraud investigators would result in an ongoing staffing cost of $216,921 annually. The UI Trust Fund impact and ongoing staffing cost were NOT included in the overall estimate as the likelihood of securing these funds from DOL is small. The Department of Labor occasionally offers grants or supplemental funds for specific types of programs. Currently no such funding source is available for fraud workers. If no federal funding is available, the Department would be unable to meet this directive.

Benefits paid to employees who lose licenses required to perform work:
A proposal that changes the loss of license section of the law to indicate that when a claimant has satisfied the loss of license suspension period and has re-obtained the license, that benefits available to that claimant will be charged to the balancing account in lieu of the employer is not expected to impact the UI Trust Fund. There were 19 such situations in 2012. There are no expected IT or administrative costs.

Long-Range Fiscal Implications

The agency respectfully requests funding for the annual net ongoing administrative costs for this bill totaling $270,259.

Wisconsin Department of Administration
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Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

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Description
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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

IT one-time costs are expected to be 3,260 hours and $247,760. Administrative one-time costs are expected to be 2696 hours and $114,301. This equates to a total one-time cost of $362,061. The agency respectfully requests funding for these one time costs.

II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$363,020	$-92,761
(FTE Position Changes)	(3.8 FTE)	(-1.1 FTE)
State Operations - Other Costs	2,839	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$365,859**	**$-92,761**
B. State Costs by Source of Funds		
GPR	364,667	-92,761
FED	284	
PRO/PRS	624	
SEG/SEG-S	284	

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	$273,098	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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