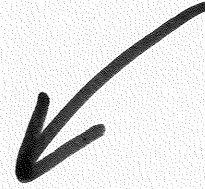




State of Wisconsin
LEGISLATIVE REFERENCE BUREAU



 Appendix E

LRB BILL HISTORY RESEARCH APPENDIX

 The drafting file for 2015 LRB-4028 (For: DWD)

has been copied/added to the drafting file for


2015 LRB-2020 (For: DWD)

 Are These “Companion Bills” ?? ... No



RESEARCH APPENDIX -
PLEASE KEEP WITH THE DRAFTING FILE

Date Transfer Requested: 12/18/2015 (Per: MED)

 The attached draft was incorporated into the new draft listed above. For research purposes the attached materials were added, as a appendix, to the new drafting file. If introduced this section will be scanned and added, as a separate appendix, to the digital drafting file.

2015 DRAFTING REQUEST

Bill

Received: **12/4/2015** Received By: **mduchek**
For: **Workforce Development** Same as LRB:
May Contact: By/Representing: **Janell Knutson**
Subject: **Unemployment Insurance** Drafter: **mduchek**
Addl. Drafters:
Extra Copies:

Submit via email: **YES**
Requester's email: **Janell.Knutson@dwd.wisconsin.gov**
Carbon copy (CC) to: **Andrew.Rubsam@dwd.wisconsin.gov**
Aaron.McKean@legis.wisconsin.gov

Pre Topic:

No specific pre topic given

Topic:

Proposal D15-15 - Administrative account assessment

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	mduchek 12/11/2015		_____			
/P1		csicilia 12/14/2015	_____	lparisi 12/14/2015		

FE Sent For:

<END>

D15-15
Administrative Account Assessment

Date: December 17, 2015
Proposed by: DWD
Prepared by: Andy Rubsam

ANALYSIS OF PROPOSED UI LAW CHANGE
Administrative Account Assessment

1. Description of Proposed Change

Employers previously paid an administrative assessment of the lesser of 0.01% of their yearly payroll or their solvency contribution in order to fund the renovation and modernization of the unemployment insurance division's information technology systems. Under Wis. Stat. § 108.18(9c), employers' solvency rates are reduced by the amount of this assessment, resulting in no additional tax paid by employers. This assessment cannot be assessed after the year 2009.

The department proposes to change the law in order to permit the assessment again and to add program integrity activities as a possible use of the assessment. The department shall consider the balance of the trust fund before issuing the assessment. The assessment would only be issued after the secretary of workforce development consults with the Council.

2. Proposed Statutory Change

108.18 (9c)

108.19 (1e) of the statutes is amended to read:

(1e) (a) Except as provided in par. (b), each employer, other than an employer that finances benefits by reimbursement in lieu of contributions under s. 108.15, 108.151, or 108.152 shall, in addition to other contributions payable under s. 108.18 and this section, pay an assessment to the administrative account for each year ~~prior to the year 2010~~ equal to the lesser of 0.01% of its payroll for that year or the solvency contribution that would otherwise be payable by the employer under s. 108.18 (9) for that year.

(b) The levy prescribed under par. (a) is not effective for any year unless the department, no later than the November 30 preceding that year, publishes a class 1 notice under ch. 985 giving

D15-15
Administrative Account Assessment

notice that the levy is in effect for the ensuing year. The Department shall consider the balance of the trust fund before issuing the assessment under par. (a). The secretary of workforce development shall consult with the council on unemployment insurance before the department publishes the notice under this paragraph.

(c) Notwithstanding par. (a), the department may, if it finds that the full amount of the levy is not required to effect the purposes specified in par. (d) for any year, prescribe a reduced levy for that year and in such case shall publish in the notice under par. (b) the rate of the reduced levy.

(d) The department may expend the moneys received from assessments levied under this subsection in the amounts authorized under s. 20.445 (1) (gh) for the renovation and modernization of unemployment insurance information technology systems, specifically including development and implementation of a new system and reengineering of automated processes and manual business functions, or for program integrity activities.

108.19 (1s) (ar) of the statutes is created to read:

(1s) (ar) The amounts collected under sub. (1e) shall be transferred to the unemployment program integrity fund, other than the amounts used for the renovation and modernization of unemployment insurance information technology systems.

20.445 (1) (gh) of the statutes is amended to read:

(gh) Unemployment information technology systems; assessments. All moneys received from assessments levied under s. 108.19 (1e) (a) and 1997 Wisconsin Act 39, section 164 (2), for the purpose specified in s. 108.19 (1e) (d). The treasurer of the unemployment reserve fund may transfer moneys from this appropriation account to the appropriation account under par. (gd) or the appropriation account under par. (v).

D15-15
Administrative Account Assessment

3. Effects of Proposed Change

- a. Policy. This proposal provides the department with additional funding for information technology projects, which will result in increased efficiencies. The proposal also provides for additional funding for program integrity activities, which should have a positive effect on the trust fund.
- b. Administrative. The department expects a minimal administrative effect for this proposal.
- c. Fiscal. A fiscal estimate is not yet available.

4. State and Federal Issues

If the trust fund balance is insufficient to pay benefits, Wisconsin would be required to borrow funds from the federal government. During a period of borrowing, the federal government may reduce Wisconsin employers' Federal Unemployment Tax credits. Wisconsin employers can avoid increases in FUTA credit reductions during a period of borrowing if certain criteria are met. The criteria are:

1. No action was taken by the state in the prior 12-month period ending September 30 to decrease the state's unemployment tax effort.
2. No action was taken by the state in the prior 12-month period ending September 30 that has resulted, or will result, in a net decrease in solvency of the state's UC system.
3. The state's average tax rate on total wages exceeds the 5-year benefit cost rate on total wages.
4. The balance of outstanding loans as of September 30 is not greater than the balance 3 years earlier.

By implementing the assessment in this proposal while the trust fund has a negative balance, the federal government may determine that Wisconsin has taken action to decrease its

D15-15
Administrative Account Assessment

tax effort and/or decrease the solvency of the UC system based on the resulting reduction in employers' solvency rate under s. 108.18(9c), resulting in increased FUTA credit reductions.

There are no known federal conformity issues with this proposal. The Department recommends that any changes to the unemployment insurance law be sent to the U.S. Department of Labor for conformity review.

5. Proposed Effective/Applicability Date

This proposal would be effective with other changes made as part of the agreed bill cycle.

Meeting 12/11 -
Instead create new assessment
→ PI fund.



State of Wisconsin
2015 - 2016 LEGISLATURE

In 12-11
Out 12-14 AM

LRB-4028/P1
MED:..

Lgis

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

An employer's contributions are assessed based on the employer's rate and the contribution rate, each of which varies

Contributions are determined by applying first \$9,000 of wages paid to employees in a calendar year. Those rates go to the

1 **AN ACT**...; relating to: an assessment against employers to fund unemployment
2 insurance program integrity costs.

Analysis by the Legislative Reference Bureau

Program integrity assessment

Currently, all employers that engage employees in work that is covered under the unemployment insurance (UI) law, other than governmental, nonprofit, and Indian tribal employers that elect to pay directly for the cost of benefits, must pay contributions (taxes) to finance UI benefits. The total contributions of an employer are the sum of the employer's contribution rate and the employer's solvency rate, each of which vary with the employment stability of the employer and the solvency of the state's Unemployment Reserve Fund (fund), from which benefits are paid. An employer's contributions payable as a result of its contribution rate are credited to the employer's account in the fund, while an employer's contributions payable as a result of its solvency rate are credited to the fund's balancing account, which is used to fund benefits not payable from any employer's account.

the employer's

In addition to these contributions, this bill levies an annual assessment on each employer that is currently subject to a contribution requirement in the amount of 0.01 percent (or a lower rate if prescribed by DWD) of an employer's taxable payroll for each year, unless the employer is not required to pay a solvency contribution. An assessed employer's solvency rate is then reduced by the amount of the assessment. The levy is not effective for any year unless DWD, no later than the November 30 preceding that year, publishes a class 1 notice giving notice that the levy is in effect for the ensuing year. DWD must consider the balance of the fund before prescribing

rate

unemployment

the levy, and the secretary of workforce development must consult with the Council on Unemployment Insurance before DWD prescribes a levy. Under the bill, assessments are deposited in the program integrity fund and must therefore, as provided under current law, be used for payment of costs associated with program integrity activities.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 108.18 (7) (a) 1. of the statutes is amended to read:

2 108.18 (7) (a) 1. Except as provided in pars. (b) to (i), any employer may make
3 payments to the fund during the month of November in excess of those required by
4 this section and s. 108.19 (1) ~~and (1e), and (1f)~~. Each payment shall be credited to
5 the employer's account for the purpose of computing the employer's reserve
6 percentage as of the immediately preceding computation date.

History: 1971 c. 42, 53, 211; 1973 c. 247; 1975 c. 343; 1977 c. 133; 1979 c. 12, 52; 1983 a. 8, 27, 99; 1983 a. 189 s. 329 (28); 1983 a. 384; 1985 a. 17, 40, 332; 1987 a. 38 ss. 113 to 121, 134; 1989 a. 56 s. 259; 1989 a. 77, 259; 1991 a. 89; 1993 a. 373, 492; 1995 a. 118, 225, 417; 1997 a. 39; 1999 a. 15; 2001 a. 43; 2005 a. 86; 2007 a. 59; 2009 a. 287; 2011 a. 260; 2013 a. 20.

7 SECTION 2. 108.18 (7) (h) of the statutes is amended to read:

8 108.18 (7) (h) The department shall establish contributions other than those
9 required by this section and s. 108.19 (1) ~~and (1e), and (1f)~~ and contributions other
10 than those submitted during the month of November or authorized under par. (f) or
11 (i) 2. as a credit, without interest, against future contributions payable by the
12 employer or shall refund the contributions at the employer's option.

History: 1971 c. 42, 53, 211; 1973 c. 247; 1975 c. 343; 1977 c. 133; 1979 c. 12, 52; 1983 a. 8, 27, 99; 1983 a. 189 s. 329 (28); 1983 a. 384; 1985 a. 17, 40, 332; 1987 a. 38 ss. 113 to 121, 134; 1989 a. 56 s. 259; 1989 a. 77, 259; 1991 a. 89; 1993 a. 373, 492; 1995 a. 118, 225, 417; 1997 a. 39; 1999 a. 15; 2001 a. 43; 2005 a. 86; 2007 a. 59; 2009 a. 287; 2011 a. 260; 2013 a. 20.

13 SECTION 3. 108.18 (9c) of the statutes is amended to read:

14 108.18 (9c) REDUCTION OF SOLVENCY RATE. The department shall reduce the
15 solvency rate payable under sub. (9) by each employer for each year by the ~~rate~~ rates
16 payable by that employer under s. 108.19 (1e) (a) ~~and (1f) (a)~~ for that year.

History: 1971 c. 42, 53, 211; 1973 c. 247; 1975 c. 343; 1977 c. 133; 1979 c. 12, 52; 1983 a. 8, 27, 99; 1983 a. 189 s. 329 (28); 1983 a. 384; 1985 a. 17, 40, 332; 1987 a. 38 ss. 113 to 121, 134; 1989 a. 56 s. 259; 1989 a. 77, 259; 1991 a. 89; 1993 a. 373, 492; 1995 a. 118, 225, 417; 1997 a. 39; 1999 a. 15; 2001 a. 43; 2005 a. 86; 2007 a. 59; 2009 a. 287; 2011 a. 260; 2013 a. 20.

17 SECTION 4. 108.19 (1f) of the statutes is created to read:

Ins 2-16

XN

1 108.19 (1f) (a) Except as provided in par. (b), each employer, other than an
2 employer that finances benefits by reimbursement in lieu of contributions under s.
3 108.15, 108.151, or 108.152 shall, in addition to other contributions payable under
4 s. 108.18 and this section, pay an assessment for each year equal to the lesser of 0.01
5 percent of its payroll for that year or the solvency contribution that would otherwise
6 be payable by the employer under s. 108.18 (9) for that year. Assessments under this
7 paragraph shall be deposited in the program integrity fund. *unemployment*

8 (b) The levy prescribed under par. (a) is not effective for any year unless the
9 department, no later than the November 30 preceding that year, publishes a class
10 1 notice under ch. 985 giving notice that the levy is in effect for the ensuing year. The
11 department shall consider the balance of the *unemployment reserve* fund before prescribing the levy under
12 par. (a). The secretary of workforce development shall consult with the council on
13 unemployment insurance before the department prescribes the levy under par. (a).

14 (c) Notwithstanding par. (a), the department may, if it finds that the full
15 amount of the levy is not required to effect the purposes specified in sub. (1s) (b) for
16 any year, prescribe a reduced levy for that year and in such case shall publish in the
17 notice under par. (b) the rate of the reduced levy.

18

(END)

1/25
3-17

2015-2016 DRAFTING INSERT
FROM THE
LEGISLATIVE REFERENCE BUREAU

LRB-4028/P1ins
MED:...

INSERT 2-16

1 **SECTION 1.** 108.19 (title) of the statutes is repealed and recreated to read:
2 **108.19** (title) **Contributions to administrative account and**
3 **unemployment interest payment and program integrity funds.**

History: 1979 c. 34; 1979 c. 110 s. 60 (13); 1981 c. 315; 1983 a. 8, 27, 384; 1985 a. 29, 332; 1987 a. 27, 38, 403; 1991 a. 315; 1993 a. 490; 1997 a. 39; 1999 a. 15; 2001 a. 35; 2003 a. 197; 2007 a. 59; 2009 a. 177, 287; 2011 a. 198; 2013 a. 20; 2013 a. 36 s. 236m; 2015 a. 55.

INSERT 3-17

4 **SECTION 2.** 108.19 (1s) (a) of the statutes, as affected by 2015 Wisconsin Act 55,
5 is renumbered 108.19 (1s) (a) (intro.) and amended to read:

6 108.19 (1s) (a) (intro.) There is created a separate, nonlapsible trust fund
7 designated as the unemployment program integrity fund consisting of all of the
8 following:

9 1. All amounts collected under s. 108.04 (11) (bh) other than the amounts
10 required to be deposited in the fund under s. 108.16 (6) (n).

11 **SECTION 3.** 108.19 (1s) (a) 2. of the statutes is created to read:

12 108.19 (1s) (a) 2. Assessments levied and deposited into the unemployment
13 program integrity fund under sub. (1f).



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-4028/P1
MED:cjs

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT** *to renumber and amend* 108.19 (1s) (a); *to amend* 108.18 (7) (a) 1.,
2 108.18 (7) (h) and 108.18 (9c); *to repeal and recreate* 108.19 (title); and *to*
3 *create* 108.19 (1f) and 108.19 (1s) (a) 2. of the statutes; **relating to:** an
4 assessment against employers to fund unemployment insurance program
5 integrity costs.

Analysis by the Legislative Reference Bureau

Program integrity assessment

Currently, all employers that engage employees in work that is covered under the unemployment insurance (UI) law, other than governmental, nonprofit, and Indian tribal employers that elect to pay directly for the cost of benefits, must pay contributions (taxes) to finance UI benefits. An employer's contributions are assessed based on the employer's contribution rate and the employer's solvency rate, each of which varies with the employment stability of the employer and the solvency of the state's Unemployment Reserve Fund (fund). An employer's contributions payable as a result of the employer's contribution rate are credited to the employer's account in the fund, while an employer's contributions payable as a result of the employer's solvency rate are credited to the fund's balancing account, which is used to fund benefits not payable from any employer's account.

In addition to these contributions, this bill levies an annual assessment on each employer that is currently subject to a contribution requirement in the amount of

0.01 percent (or a lower rate if prescribed by DWD) of an employer's taxable payroll for each year, unless the employer is not required to pay a solvency contribution. An assessed employer's solvency rate is then reduced by the amount of the assessment rate. The levy is not effective for any year unless DWD, no later than the November 30 preceding that year, publishes a class 1 notice giving notice that the levy is in effect for the ensuing year. DWD must consider the balance of the fund before prescribing the levy, and the secretary of workforce development must consult with the Council on Unemployment Insurance before DWD prescribes a levy. Under the bill, assessments are deposited in the unemployment program integrity fund and must therefore, as provided under current law, be used for payment of costs associated with program integrity activities.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 108.18 (7) (a) 1. of the statutes is amended to read:

2 108.18 (7) (a) 1. Except as provided in pars. (b) to (i), any employer may make
3 payments to the fund during the month of November in excess of those required by
4 this section and s. 108.19 (1) ~~and (1e), and (1f)~~. Each payment shall be credited to
5 the employer's account for the purpose of computing the employer's reserve
6 percentage as of the immediately preceding computation date.

7 **SECTION 2.** 108.18 (7) (h) of the statutes is amended to read:

8 108.18 (7) (h) The department shall establish contributions other than those
9 required by this section and s. 108.19 (1) ~~and (1e), and (1f)~~ and contributions other
10 than those submitted during the month of November or authorized under par. (f) or
11 (i) 2. as a credit, without interest, against future contributions payable by the
12 employer or shall refund the contributions at the employer's option.

13 **SECTION 3.** 108.18 (9c) of the statutes is amended to read:

14 108.18 (9c) **REDUCTION OF SOLVENCY RATE.** The department shall reduce the
15 solvency rate payable under sub. (9) by each employer for each year by the ~~rate~~ rates
16 payable by that employer under s. 108.19 (1e) (a) ~~and (1f) (a)~~ for that year.

1 **SECTION 4.** 108.19 (title) of the statutes is repealed and recreated to read:

2 **108.19** (title) **Contributions to administrative account and**
3 **unemployment interest payment and program integrity funds.**

4 **SECTION 5.** 108.19 (1f) of the statutes is created to read:

5 108.19 (1f) (a) Except as provided in par. (b), each employer, other than an
6 employer that finances benefits by reimbursement in lieu of contributions under s.
7 108.15, 108.151, or 108.152 shall, in addition to other contributions payable under
8 s. 108.18 and this section, pay an assessment for each year equal to the lesser of 0.01
9 percent of its payroll for that year or the solvency contribution that would otherwise
10 be payable by the employer under s. 108.18 (9) for that year. Assessments under this
11 paragraph shall be deposited in the unemployment program integrity fund.

12 (b) The levy prescribed under par. (a) is not effective for any year unless the
13 department, no later than the November 30 preceding that year, publishes a class
14 1 notice under ch. 985 giving notice that the levy is in effect for the ensuing year. The
15 department shall consider the balance of the unemployment reserve fund before
16 prescribing the levy under par. (a). The secretary of workforce development shall
17 consult with the council on unemployment insurance before the department
18 prescribes the levy under par. (a).

19 (c) Notwithstanding par. (a), the department may, if it finds that the full
20 amount of the levy is not required to effect the purposes specified in sub. (1s) (b) for
21 any year, prescribe a reduced levy for that year and in such case shall publish in the
22 notice under par. (b) the rate of the reduced levy.

23 **SECTION 6.** 108.19 (1s) (a) of the statutes, as affected by 2015 Wisconsin Act 55,
24 is renumbered 108.19 (1s) (a) (intro.) and amended to read:

