

### Fiscal Estimate - 2021 Session

Original                       Updated                       Corrected                       Supplemental

<b>LRB Number</b> 21-2213/1	<b>Introduction Number</b> <b>AB-0394</b>
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**Description**  
recovery of unemployment insurance benefit overpayments

**Fiscal Effect**

**State:**

- |   |   |   |
|---|---|---|
| <input type="checkbox"/> No State Fiscal Effect           |   |   |
| <input type="checkbox"/> Indeterminate                    |   |   |
| <input type="checkbox"/> Increase Existing Appropriations | <input type="checkbox"/> Increase Existing Revenues | <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget |
| <input type="checkbox"/> Decrease Existing Appropriations | <input type="checkbox"/> Decrease Existing Revenues | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No                                   |
| <input type="checkbox"/> Create New Appropriations        |   | <input type="checkbox"/> Decrease Costs   |

**Local:**

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> No Local Government Costs                                |  |  |
| <input checked="" type="checkbox"/> Indeterminate                                 |  |  |
| 1. <input checked="" type="checkbox"/> Increase Costs                             | 3. <input type="checkbox"/> Increase Revenue                           | 5.Types of Local Government Units Affected   |
| <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities |
| 2. <input type="checkbox"/> Decrease Costs  | 4. <input type="checkbox"/> Decrease Revenue                           | <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others   |
| <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory            | <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory | <input checked="" type="checkbox"/> School Districts <input checked="" type="checkbox"/> WTCS Districts                          |

**Fund Sources Affected**

**Affected Ch. 20 Appropriations**

GPR     FED     PRO     PRS     SEG     SEGS    20.445(1)(n)

**Agency/Prepared By**

**Authorized Signature**

**Date**

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8/6/2021

## Fiscal Estimate Narratives

DWD 8/6/2021

LRB Number	21-2213/1	Introduction Number	AB-0394	Estimate Type	Original
<b>Description</b> recovery of unemployment insurance benefit overpayments					

### Assumptions Used in Arriving at Fiscal Estimate

Under current law, DWD may recover benefit overpayments by various means, but is required to waive recovery of a benefit overpayment if the overpayment was the result of a departmental error and the overpayment did not result from the fault of the claimant, false statement by the claimant, or misrepresentation by the claimant. A claimant may be at fault for an overpayment if they provide information that they knew, or reasonably should have known, to be inaccurate or incomplete on an initial or weekly claim. A finding that the claimant was at fault does not necessarily mean that the claimant committed fraud or concealment. A claimant who is found to be at fault is required to repay overpaid benefits and is not eligible for an overpayment waiver.

The bill requires DWD to also waive recovery of benefits, when the overpayment was made without fault on the part of the claimant, if recovery would be considered to be against equity and good conscience. A recovery considered against equity and good conscience is one for which any of the following circumstances apply:

- Recovery would cause financial hardship to the individual from whom it is sought.
- Regardless of the individual's financial circumstances, the individual can show that, based on the overpayment or notice that a benefit payment would be made, the individual has relinquished a valuable right or changed positions for the worse.
- Recovery could be unconscionable under the circumstances.

UI Overpayments that occur without fault are a small proportion of all UI overpayments. In 2020 a year with large benefit payments, there were approximately 1,850 overpayments with no fault. During the more typical UI benefit payment years of 2018 and 2019, there were approximately 350 potentially eligible overpayments each year. The Department is currently waiving overpayment under equity and good conscience criteria under federal law that expires September 6, 2021. This work is being handled by the department manually. Under this bill, waivers under equity and good conscience criteria would become permanent. The bill does not authorize positions to continue this work. If enacted, this bill is estimated to have a one-time cost of \$65,949 and an ongoing cost of \$57,720 to Department appropriations. This bill is also estimated to reduce the UI Trust Fund balance by \$50,000 annually.

To reduce manual processes and reduce ongoing staff workload under this bill, the Department would develop and implement automated overpayment infrastructure to flag overpayments that meet the criteria for a potential waiver. Modifications to the benefit collection system would also be needed to halt payment intercepts while a waiver was considered. These systems changes are estimated to require 570 hours of IT work at a one-time cost of \$50,730. In addition to IT development costs, IT systems requirement gathering and testing, document updates, and systems training for staff are estimated to have a one-time cost of \$15,219.

While the systems changes would reduce manual processes, they would not entirely eliminate manual work determining when an overpayment waiver under equity and good conscience criteria could be provided. The anticipated ongoing workload for UI Benefits staff under this bill is estimated as 1,560 hours annually. Current staff are not able to absorb this ongoing work, therefore contract staff would be needed to meet the bill's requirements. Costs for contract staff under this bill are projected to be \$57,720.

During the more typical UI benefit payment years of 2018 and 2019, the approximate 350 of potentially eligible overpayments would have overpayment amounts between \$65,000 and \$80,000 annually. Assuming a typical year's overpayment maximum to be \$80,000, there would be an estimated \$5,000 of benefits charged to reimbursable employers and an expected \$25,000 in increased UI tax revenue, leading to an expected annual reduction to the UI Trust Fund of \$50,000.

Local governments would have an indeterminate local fiscal effect. Local governments as well as non-profit organizations make up the majority of reimbursable employers for whom there is an estimated \$5,000 annual impact from this bill. However, the amount paid each year by local governments, as opposed to other reimbursable employers such as non-profits, is too variable to estimate and is therefore indeterminate.

## Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

Original
  Updated
  Corrected
  Supplemental

<b>LRB Number</b> 21-2213/1	<b>Introduction Number</b> AB-0394	
<b>Description</b> recovery of unemployment insurance benefit overpayments		
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>		
\$65,949		
<b>II. Annualized Costs:</b>	<b>Annualized Fiscal Impact on funds from:</b>	
	Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs	57,720	
Local Assistance		
Aids to Individuals or Organizations		
<b>TOTAL State Costs by Category</b>	<b>\$57,720</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>		
GPR		
FED	57,720	
PRO/PRS		
SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>		
	State	Local
NET CHANGE IN COSTS	\$57,720	\$
NET CHANGE IN REVENUE	\$	\$
<b>Agency/Prepared By</b>		
<b>Authorized Signature</b>		<b>Date</b>
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Danielle Williams (608) 266-2284		