

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-5803/1	Introduction Number SB-906
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Description
 the amount of benefits received under the unemployment insurance law

Fiscal Effect

State:

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

Local:

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

Fund Sources Affected	Affected Ch. 20 Appropriations
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GPR FED PRO PRS SEG SEGS 20.445 (1) (n)

Agency/Prepared By DWD/ Andrew Evenson (608) 266-1756	Authorized Signature Danielle Williams (608) 266-2284	Date 2/9/2022
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Fiscal Estimate Narratives

DWD 2/9/2022

LRB Number	21-5803/1	Introduction Number	SB-906	Estimate Type	Original
Description the amount of benefits received under the unemployment insurance law					

Assumptions Used in Arriving at Fiscal Estimate

The fiscal effect of this bill is comprised of \$185,120 in a one-time cost, \$3.0 million in reduced annual revenues into 20.445 (1)(n), and a \$58.8 million net annual increase to the UI Trust fund balance, which is not a state appropriation.

This bill proposes a formula be used, based on seasonally adjusted unemployment rates, to determine the maximum number of weeks of regular unemployment insurance (UI) benefits payable to an eligible claimant.

The department estimates that proposed changes under the bill will have a fiscal effect on operations totaling \$3,185,120 all funds, consisting of \$185,120 in new costs for one-time implementation steps and \$3.0 million annually in lost federal revenue for Unemployment Insurance (UI) operations.

The assumptions used to determine the UI operations fiscal effect are as follows:

To implement a formula based maximum week schedule for claimants based on unemployment rates in prior quarters and the claimants' initial claim dates, the department estimates IT work of 1,600 hours, at \$89 per hour, for a cost of \$142,400 and \$42,720 in administrative costs.

However, the federal administrative base and 'above base' funding formulas are directly affected by the number of claims weeks (for example, the number of ongoing claims) when calculating award amounts. The decline in UI claims weeks is estimated to result in decreased federal administrative grant revenue of approximately \$3.0 million annually.

The assumptions used to determine the UI Trust Fund impact are as follows:

The bill's proposed changes would result in significantly fewer paid weeks of UI benefits. In a review of historical unemployment rate data, the highest unemployment rate, as calculated under this bill, was 9.2% in October of 2009. Under this proposal, claimants would have received a maximum of 20 weeks of unemployment benefits at that time.

In March 2020, the unemployment rate was 3.2% and the April 2020 unemployment rate was 14.8%. Had the bill been in effect at the start of the COVID-19 pandemic, individuals filing for UI in April 2020 would have had their maximum number of benefit weeks calculated based on the average unemployment rate for third quarter 2019 (3.1 percent). Under this scenario, individuals who lost their job through no fault of their own in April 2020 would have been eligible for a maximum of 14 weeks of benefits. In July 2020 (14 weeks from April 2020), the unemployment rate was still at 7%.

Using the average over the 2018 and 2019 benefit years to project future benefit payments, the estimated annual reduction to UI benefits paid is \$93.35 million. Of this amount, \$87.75 million would be charged to the UI Trust Fund with the remainder paid for by reimbursable employers. Accounting for reimbursable employers, UI tax revenue would be reduced by \$28.95 million annually. When the benefit years are reconciled to calendar years, the net effect to the UI Trust Fund is a savings projected to be \$58.8 million annually.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2021 Session

Detailed Estimate of Annual Fiscal Effect

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Description the amount of benefits received under the unemployment insurance law		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): This is expected to have a one-time IT cost of \$142,400 representing 1,600 hours of work. There is a one-time administrative cost of \$42,720 for a one-time total implementation cost of \$185,120.		
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		-3,000,000
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$-3,000,000
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-3,000,000	\$
Agency/Prepared By	Authorized Signature	Date
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