

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-2696/1	Introduction Number SB-0233	
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"/> 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 checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 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 <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected Affected Ch. 20 Appropriations <input type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.445 (1)(n)		
Agency/Prepared By DWD/ Andrew Wescott-Barten (608) 405-4475	Authorized Signature Jeremy Simon (608) 267-9692	Date 4/21/2023

Fiscal Estimate Narratives

DWD 4/21/2023

LRB Number	23-2696/1	Introduction Number	SB-0233	Estimate Type	Original
Description the amount of benefits received under the unemployment insurance law					

Assumptions Used in Arriving at Fiscal Estimate

This bill changes the maximum number of weeks of regular unemployment insurance (UI) benefits payable to an eligible claimant based on a seasonally adjusted unemployment rate formula.

Proposed changes under the bill are estimated to have a fiscal effect to operations of \$3,183,220 for all funds, consisting of an additional one-time cost of \$183,220 for implementation and an ongoing reduction in federal revenue of \$3,000,000 annually.

Provisions in the bill are also anticipated to have a fiscal effect on UI Trust Fund by decreasing UI benefits payments annually by \$58.8 million.

The UI program fiscal effects related to operations costs and the UI Trust Fund are estimated as follows:

IT changes to allow for variable changes in the monetary rate is estimated to require 1,600 hours of technical work, at \$88 per hour at a cost of \$140,800. There is an additional \$42,420 in administrative costs for the implementation of the proposal.

The number of weeks of UI benefits is likely to decline based on historic data. Under the bill, February 2023 average statewide seasonally adjusted unemployment rate was 2.7% resulting in 14 weeks of benefits. During the peak of the Great Recession, the highest applicable unemployment rate was 9.2% in October of 2009, which would have resulted in 26 weeks of unemployment benefits under this proposal. Using the average over the 2018 and 2019 benefit years to project future benefit reductions, the expected annual reduction in 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 with the net effect to the UI Trust Fund is a savings projected to be \$58.8 million annually.

As a result of a decline in UI weeks applied for and corresponding cases in adjudication and appeals, DWD expects to receive \$3,000,000 less in annual funding from USDOL for administering the Wisconsin UI program.

In addition, Wisconsin UI will lose additional above-base funding for administration of the UI program due to not offering 26 weeks of UI benefits, but this amount of forfeited funding is indeterminate.

Long-Range Fiscal Implications

Future federal additional benefits and administrative funds could be affected by this provision as well, by an indeterminate amount. The available weeks of Federal extended programs is often based upon a default UI benefit period of 26 weeks. The number of federal weeks an individual receives will often be reduced by the proportion of weeks that the state UI benefit is less than the standard 26 weeks. This can result in lost federal additional unemployment benefits and lost federal funding for those benefits estimated to be at least \$200 million.

Fiscal Estimate Worksheet - 2023 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		
	State	Local
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$-3,000,000	\$

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