

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-2710/1	Introduction Number SB-0237	
Description various changes to the unemployment insurance law and requiring approval by the Joint Committee on Finance of certain federally authorized unemployment benefits		
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 <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 <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 <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	23-2710/1	Introduction Number	SB-0237	Estimate Type	Original
Description various changes to the unemployment insurance law and requiring approval by the Joint Committee on Finance of certain federally authorized unemployment benefits					

Assumptions Used in Arriving at Fiscal Estimate

This bill makes various changes in the unemployment insurance (UI) law, which is administered by the Department of Workforce Development.

The department estimates that proposed changes under the bill will have a total all funds fiscal effect to department appropriations of \$32,409,200 all funds, consisting of \$140,100 for one-time implementation steps and \$32,269,100 for on-going for operations. The estimated fiscal effect to the UI Trust Fund is a decrease in UI benefits payments of \$23,494,600.

These fiscal effects by provision are described in more detail below.

The bill's proposed changes to work search audits are estimated to greatly increase manual staff efforts and therefore UI operations costs. The department's current approach to work search audits utilizes automated technologies to assist manual staff efforts. Under the proposal, UI would be required to manually audit over two million work search actions which is anticipated to require 761,400 hours of work based on current audit experience. This is the equivalent of to the effort from 423 FTE. Assuming the annual cost per staff is \$76,286, this provision carries an expected annual administrative cost of \$32,269,100.

The bill's proposed change related to absenteeism is expected to increase the number of misconduct findings by 22 percent and is anticipated to have a fiscal impact to UI Trust Fund by decreasing UI benefits payments annually. The fiscal effect is an increase to the UI Trust Fund balance of \$5,400,000, after accounting for a reduction in UI taxes. There is also a one-time administrative cost to implement the absenteeism change of \$1,300.

The bill's proposed change to remove from misconduct the requirement that the employee have intent to deprive the employer of the property or services permanently could jeopardize Wisconsin's ability to comply with US Department of Labor (US DOL) conformity requirements necessary to receive federal funding. Current guidance from US DOL describes misconduct as "...a willful or controllable breach of an employee's duties, responsibilities, or behavior that the employer has a right to expect. Stated another way, the misconduct may be an act or an omission that is deliberately or substantially negligent, which adversely affects the employer's legitimate business interests. Simple negligence with no harmful intent is generally not misconduct, nor is inefficiency, unsatisfactory conduct beyond the claimant's control, or good-faith errors of judgment or discretion." (US DOL's ET Handbook p. IV-4). If Wisconsin's unemployment insurance program were to be found non-compliant, the result could be ineligibility for federal funding until conformity was reestablished. The Department receives over \$60 million in administrative funding from US DOL annually. The funding at risk due the bill's proposed change could be some or all of the annual administrative grant funding, as well as any federal benefit funding the state could be eligible for at that time. An exact amount is indeterminate at this time.

The fiscal impacts related to Joint Committee on Finance approvals concerning federal UI benefit augmentation programs is indeterminate at this time. The potential for delays in availability of federally funded benefits to UI claimants could lead to confusion for employees and employers, an increase in appeals related to eligibility determinations, and reduced federal revenues for the state.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description
 various changes to the unemployment insurance law and requiring approval by the Joint Committee on Finance of certain federally authorized unemployment benefits

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

The department estimates that proposed changes under the bill will have a one time fiscal effect of \$140,100.

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	32,269,100	
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$32,269,100	\$

B. State Costs by Source of Funds		
GPR		
FED	32,269,100	
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		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	\$32,269,100	\$
NET CHANGE IN REVENUE	\$	\$

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