

Fiscal Estimate - 2025 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 25-1534/1	Introduction Number AB-0167
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: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations</div><div style="width: 33%;"><input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues</div><div style="width: 33%;"><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</div></div> Local: <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><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</div><div style="width: 33%;">5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"><div style="width: 33%;"><input type="checkbox"/> Towns <input type="checkbox"/> Counties <input type="checkbox"/> School Districts</div><div style="width: 33%;"><input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts</div><div style="width: 33%;"><input type="checkbox"/> Cities</div></div></div></div>	

Fiscal Estimate Narratives

DWD 4/22/2025

LRB Number	25-1534/1	Introduction Number	AB-0167	Estimate Type	Original
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Assumptions Used in Arriving at Fiscal Estimate

The department estimates that proposed changes under the bill will have a total fiscal effect of \$35,024,400 for on-going operations. Additionally, the department estimates a fiscal effect to the UI Trust Fund as a decrease in UI benefits payments of \$18,200,000 annually which, assuming no other legislative or economic adjustments, would increase in the Trust Fund balance.

This bill makes various changes in the unemployment insurance (UI) law, which is administered by the Department of Workforce Development. 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 to the effort from 423 FTE. Assuming the annual cost per staff is \$82,800, this provision carries an expected annual administrative cost of \$35,024,400. For the purposes of this fiscal estimate, the cost increase is shown in the worksheet as an impact to federal funding. Segregated and Program Revenue - Other sources would also be used to support these costs, but at this time the cost allocation basis for assigning costs to these sources is not known. The bill does not provide position authority, and the department's cost estimate assumes the use of a contract with a private entity to perform the audits.

The bill's proposed change to remove, from the definition of misconduct, that an employee has intent to permanently deprive their employer of their property or services could jeopardize Wisconsin's ability to comply with 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). A finding of nonconformity may result in a loss of annual federal administrative grant funding and federal (FUTA) tax credits for employers until conformity was reestablished. The funding potentially at risk from the compliance issue 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. The department receives over \$60 million in administrative funding from US DOL annually. Estimating an amount of revenue that could be at risk is not possible with the information available, and for this fiscal estimate the revenue effect is indeterminate.

The fiscal impacts related to Joint Committee on Finance approvals concerning federal UI benefit augmentation programs is indeterminant at this time.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2025 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): \$140,100 for one-time implementation steps, including \$1,300 to implement absenteeism change.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	\$35,024,400	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$35,024,400	\$
B. State Costs by Source of Funds		
GPR		
FED	35,024,400	
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		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$35,024,400	\$
NET CHANGE IN REVENUE	\$	\$
Agency/Prepared By DWD/ Erin Blair (608) 405-4657		
Authorized Signature Lynda Jarstad (608) 261-2138		Date 4/22/2025