



DAN KNODL

STATE REPRESENTATIVE • 24TH ASSEMBLY DISTRICT

Testimony Regarding Assembly Bill 219 State Representative Dan Knodl May 29, 2013

Thank you Mr. Chair and committee members for the chance to discuss Assembly Bill 219 which deals with reforms to the unemployment insurance system in Wisconsin.

As you know one of the largest concerns to the future of UI in Wisconsin is its cumbersome and outdated laws. Through a lack of reform, the system has become outdated. Wisconsin Unemployment Insurance Trust Fund is currently running a deficit to the federal government of \$900 million. This is the 7th highest deficit in the country. Reforming the system is a top concern for job creators who are on the hook for higher UI tax rates when people defraud the system.

I heard numerous stories from business owners about these outdated laws, and I am sure you all have heard these stories throughout the last few years. These stories included people receiving UI while incarcerated, confusions around tribunal hearings, the inability of DWD to be able to collect overpayments, and a general misunderstanding over how unemployment law even works.

The bill before you is a collection of polices designed to address some of these concerns. All the ideas put before you received approval from the Unemployment Insurance Advisory Council. I want to make you aware of three minor changes to the recommendations from the UIAC:

1. The online complaint system was changed for employers only. DWD noted that this provision would have a significant administrative impact and would require additional staff.
2. Additional language was added to provide more information to businesses about how the UI system functions.
3. The provision regarding successorship was modified at the request of DWD.

Some of the agreed upon changes include creating a handbook for employers to help employees understand the UI system and their responsibilities. Giving DWD the same tools to collect overpayments as other departments. Prohibiting the practice of collecting Social Security

Disability and UI at the same time when the eligibility of these programs have competing interests.

I've said all along that I've wanted to root-out waste, fraud, and abuse in the system, while protecting legitimately needy claimants. That's why I'm pleased that this package includes the first weekly benefit rate increase for claimants since 2009.

These proposals are also financially prudent; as estimates note these changes could save the UI trust fund over \$8 million a year when fully phased in.

I would like to thank the Unemployment Advisory Council for their expertise, the Department of Workforce Development, and the committee chairman and members for their attention to this important issue.



Wisconsin Independent Businesses Inc.
The voice of independent business in state government

**Testimony submitted on Wednesday, May 29, 2013 before the
Assembly Committee on Labor
in support of 2013 Assembly Bill 219**

Chairman Knodl, committee members, my name is Brian Dake, Legislative Director for Wisconsin Independent Businesses. On behalf of our small, independent business members, I am here to testify in support of 2013 Assembly Bill (AB) 219.

Reform of the state's Unemployment Insurance (UI) program is a top legislative priority for WIB. Our advocacy is guided by the following principles:

1. Reduce the UI tax burden on small employers
2. Increase accountability on the part of UI beneficiaries;
3. Improve program integrity and reduce the incidence of UI fraud;
4. Provide clarity to the enforcement of existing UI laws and regulations; and
5. Transition UI beneficiaries to gainful employment as quickly as possible.

Among the more than two dozen separate provisions contained within Assembly Bill 219, there are meaningful UI reforms which specifically address each of these principles.

1. Reduce the UI tax burden on small employers

The state's UI Trust Fund ended 2012 with an \$876 million deficit. Until the UI Trust Fund deficit is closed, Wisconsin employers will have to pay the annual SAFI special assessments and pay more in FUTA taxes. With that in mind, measures that result in savings to the UI Trust Fund are critically important.

Under AB 219, there are several provisions (the random audits, treatment of cafeteria plan amounts in benefit calculations and the elimination of extended training benefits) along with the previously approved enhanced work search requirements that collectively will result in approximate annual savings to the UI Trust Fund of \$11.6 million according to the Wisconsin Department of Workforce Development (DWD).

2. Increase accountability on the part of UI beneficiaries

Unemployment Insurance is a shared responsibility program. UI Benefits are financed through payroll taxes paid by employers. In turn, UI beneficiaries are required to look for work.

Periodically, the taxable wage has been increased to maintain the solvency of the UI Trust Fund and pay out UI benefits. Every few years, the weekly and/or monthly benefit rates have been raised.

It is entirely reasonable to expect that as the level of financial commitment on the part of employers rises, there should be a heightened level of responsibility on the part of UI beneficiaries to seek out gainful employment. The enhanced work registration requirements set forth in AB 219 are a step in the right direction.

3. Improve program integrity and reduce the incidence of UI fraud

The DWD is to be commended for its UI fraud detection and prevention efforts. In 2012, the amount of fraudulent UI overpayments declined by 24% and the amount of fraudulent UI overpayments that were recovered increased by 61%.

We hope this trend continues. For that to happen, we believe it is necessary for lawmakers to give DWD additional tools and resources to combat UI fraud and abuse.

Under AB 219, there are several anti-fraud measures including a prohibition on simultaneous collection of UI and SSDI benefits, a prohibition on prisoners collecting UI benefits for work performed in prison after they are released from prison and a new requirement that DWD conduct random work search audits on claimants who are collecting state-funded UI benefits.

4. Provide clarity to the enforcement of existing UI laws and regulations

For small employers, compliance with existing UI laws and regulations is challenging. Unlike larger companies, most small businesses do not have a separate Human Resources (HR) department or in-house legal counsel available to answer UI-related questions. Instead, these duties and responsibilities are often handled by the owner or divided among existing employees who may have only limited knowledge of the complexities of UI system.

Thankfully, AB 219 recognizes this reality. The bill requires DWD to produce, maintain, post and publish a UI handbook for employers. We believe this “user-friendly” guide will provide small businesses and their employees’ with useful information to help them understand and comply with UI laws, regulations, rules and requirements.

5. Transition UI beneficiaries to gainful employment as quickly as possible.

The sooner unemployed workers transition back into the workforce the better. We believe the work registration requirements in AB 219 and the previously approved work search requirements serve a dual purpose. In addition to increasing the level of accountability on the part of UI beneficiaries, these requirements will ensure that existing UI beneficiaries devote the time necessary to rejoin the ranks of the gainfully employed as quickly as possible.

We respectfully ask for your support of AB 219. Thank you in advance for your consideration.