

Department of Workforce Development
Secretary's Office
201 East Washington Avenue
P.O. Box 7946
Madison, WI 53707-7946
Telephone: (608) 266-3131
Fax: (608) 266-1784
Email: sec@dwd.wisconsin.gov



Scott Walker, Governor
Reginald J. Newson, Secretary

Senate Committee on Labor and Government Reform

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Testimony on SB 341, Provided by BJ Dernbach, Legislative Liaison

Chairperson Nass and members of the Senate Committee:

I am BJ Dernbach, the Legislative Liaison for the Department of Workforce Development, and I am here with Janell Knutson, the Director of the Bureau of Legal Affairs in the Division of Unemployment Insurance and the non-voting Chair of the Unemployment Insurance Advisory Council (Council) regarding Senate Bill 341, which includes three provisions unanimously approved by the Council that are time sensitive.

The US Department of Labor (USDOL) has mandated the first two changes and without enactment, Wisconsin is at risk of losing \$55 million in administrative funding and Wisconsin employers are at risk of losing their federal Unemployment Insurance tax credit.

The first change alters the current definition of "employer" in UI statutes to allow the Department to issue an appealable decision against an out-of-state employer if that employer fails to timely or adequately respond to Wisconsin's request for out-of-state wages of claimants.

The second required change would expand the Department's use of the Treasury Offset Program to recover unpaid unemployment insurance tax debts from employers and individuals who are personally liable for unpaid tax debts of employers through the offset of federal income tax refunds. Currently, the Department can only use this program to recover Unemployment Insurance overpayments and penalties from claimants.

The third change would bring Wisconsin's work share program (2013 Wisconsin Act 11) in line with every other state that operates a work share program, and save the Department nearly \$750,000 in additional implementation costs. Currently, Wisconsin's work share law is unique in that it provides two methods to determine the amount of benefits for a participating employee. The first method calculates the benefit rate using the existing partial wage formula. The second method calculates the benefit rate using a proportional benefit rate as a percentage of regular Unemployment Insurance benefits (the same proportion as the reduction in work hours). Of the 26 states with a work share program, Wisconsin is the only state that does not solely rely on the proportional benefit rate. The legislative change will clarify that Wisconsin will calculate benefits using only the proportional benefit rate.

As mentioned before, this change also will help avert additional implementation costs. Even though Wisconsin has been awarded the maximum federal grant amount to implement its work share program, \$641,216, estimates show it will cost approximately \$1,145,000 to implement both benefit calculations in the program per existing state statute. The legislative change will save additional costs by simply aligning Wisconsin with every other state that has a work share program.

Thank you again for your time and for the opportunity to testify today.