



Legislative Fiscal Bureau

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February 17, 2021

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: January 2021 Special Session Assembly Bill (LRB 1312/1) and Senate Bill (LRB 1430/1): Unemployment Insurance Modernization

On January 13, 2021, the Governor signed Executive Order #103 calling a special session of the Legislature solely to consider and act upon LRB-1312/1 and LRB-1430/1, identical Assembly and Senate companion drafts that address unemployment insurance (UI) systems modernization and electronic records. This memorandum provides a summary of the provisions included in these companion drafts.

UI Information Systems Funding Provisions

The bills would provide general purpose revenues (GPR) of \$5,320,000 in 2020-21 in a new UI information technology systems continuing appropriation [20.445(1)(ar)] for the Department of Workforce Development (DWD). Amounts provided could be expended on the renovation and modernization of UI information technology (IT) systems, specifically including development and implementation of a new system and reengineering of automated processes and manual business functions.

Additionally, the bills would create a new unemployment insurance administration appropriation [20.445(1)(nc)] to receive federal funds (FED) for UI program IT system renovation and modernization. The appropriation would receive amounts allocated to the state for UI program IT renovation and modernization, as determined by the treasurer of the state's UI trust fund. Also, the bill would modify DWD's existing general UI administration FED appropriation to require that of monies received by the state for UI program administration, funds for UI systems modernization are to transfer to the new appropriation.

Under the bills, DWD would be required to allocate all available federal funding for the renovation and modernization of UI information technology systems before allocating any GPR for that purpose. If federal funding were received for UI systems modernization prior to July 1, 2023,

the bills would allow the Secretary of the Department of Administration (DOA), to the extent permitted under federal law, to lapse from the new FED appropriation created by the bill [20.445(1)(nc)] to the general fund any amount of federal funding received, up to the GPR appropriated under 20.445(1)(ar). This provision would not apply with respect to certain federal funds received as routine UI administrative grants by the state.

The bills would also amend the title of DWD's existing appropriation for UI program IT systems upgrades to specify that the account is for other federal moneys, separate from the newly-created appropriation under 20.445(1)(nc).

Electronic Reporting and Transactions

The bills would require DWD to use various means of electronic reporting and payments for multiple UI program activities involving employers and claimants. In general, electronic communications and transactions would be required, unless a person could demonstrate "good cause" for not using electronic systems. The bills would require DWD to promulgate administrative rules to specify what would constitute good cause.

Electronic Interchange. The bills would require DWD to provide a secure means of electronic interchange with employing units, claimants, and other persons. The electronic interchange would be required for transmission or receipt of any document specified by DWD that is related to the administration of UI, in lieu of any other means of submission or receipt specified in Wisconsin's UI laws. Further, the bills would permit the use of the use of electronic records and electronic signatures for any document specified by DWD that is related to the administration of the state's UI program. Use of electronic record submittals and electronic signatures would be subject to current DOA rules concerning the use of electronic records. DWD would be required to submit a notice to the Legislative Reference Bureau for publication in the Wisconsin Administrative Register indicating the date upon which DWD is able to implement the provision regarding the electronic interchange, and this provision would take effect on the date specified in the notice published in the Wisconsin Administrative Register.

Under current law, DWD is permitted, but not required, to provide a secure means of electronic interchange between itself and employing units, claimants, and other persons that can be used for the transmission or receipt of UI-related documents as specified by the Department.

Determination of Contributions. The bills would require DWD to provide electronically a means whereby an employer that files employment and wage reports electronically may determine the amount of UI tax contributions due for payment by the employer for each quarter. Under current law, DWD is not required to provide this electronic option.

Contribution Reports. The bills would require that each employer that does not use an employer agent to file UI tax contribution reports must file contribution reports electronically in the manner and form prescribed by DWD, unless the employer demonstrates good cause for not being able to file its reports electronically. Under current law, the requirement to file reports electronically

is limited to employers of 25 or more employees that do not use an employer agent to file contribution reports; the bill would repeal the 25-employee threshold.

UI Employer Contributions. Under the bills, each employer would be required to pay all UI tax contributions by means of electronic funds transfer beginning with the next calendar year, unless the employer demonstrates good cause for not being able to pay contributions by electronic funds transfer. Under current law, the requirement to pay UI tax contributions by means of electronic funds transfer is limited to those employers whose net total UI tax contributions paid or payable for any 12-month period ending on June 30 are at least \$10,000; the bills would repeal this minimum specified level of contributions.

Quarterly Wage Reports. The bills would specify that each employer that does not use an employer agent must file UI quarterly wage reports electronically in the manner and form prescribed by DWD, unless the employer demonstrates good cause for not being able to file reports electronically. Under current law, the requirement to file reports electronically is limited to employers of 25 or more employees that do not use an employer agent to file contribution reports. The bills would repeal the 25-employee threshold.

Effective Date

The bills would take effect on the first Sunday after publication, except the provisions relating to use of an electronic interchange for employers and claimants would take effect on the date specified in the Wisconsin Administrative Register stating when DWD could implement the interchange.

Prepared by: Ryan Horton