

Fiscal Estimate Narratives

DWD 6/2/2021

LRB Number	21-3521/1	Introduction Number	AB-0336	Estimate Type	Original
Description participation in federal unemployment benefit programs and work search requirements for unemployment insurance					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the governor and the DWD secretary to terminate participation in federal unemployment assistance programs. These programs include the Pandemic Unemployment Assistance (PUA) program, which provides a benefit to certain workers not otherwise eligible for regular unemployment insurance (UI) benefits, the Pandemic Emergency Unemployment Compensation (PEUC) program, which provides additional weeks of UI benefit payments beyond the normal 26 weeks available under state law, and the Federal Pandemic Unemployment Compensation (FPUC) and Mixed Earner Unemployment Compensation (MEUC) programs, which provide an additional dollar benefit on top of regular UI benefits, PEUC benefits, PUA benefits, and work-share benefits. The bill requires that the termination be effective beginning with the earliest week that the agreements can be terminated. These provisions are set to expire September 6, 2021, under the American Rescue Plan Act (ARPA) and are 100% federally funded.

There is an expected 60 hours of one-time IT work, at a cost of \$5,340, to modify the UI benefit systems and revise the end date for the affected programs. This work includes database changes and system form changes. There are also associated one-time costs of \$1,763 for system testing and revisions to documents that display the affected programs' end dates. These costs can be absorbed by the department.

The department may also incur increased costs from ending pandemic related contracted resources earlier than currently scheduled, but increased costs are indeterminate at this time.

Described below is an estimate of net reduction to the UI Trust Fund. This cost is not part of DWD's legislatively funded appropriations.

This bill is expected to reduce benefits paid for PEUC by \$136 million, PUA by \$34 million, and FPUC by \$439 million (a total of \$609 million). There will also be a reduction in MEUC benefits of a small amount that is difficult to estimate because MEUC has just been implemented in Wisconsin. These benefits are 100% federally funded and ending them will not directly impact the UI Trust Fund balance.

Ending these benefits early is anticipated to result in a reduction of taxable income. DWD is not able to provide a projection of the amount of an associated reduction in state tax revenues, but DWD is able to provide information related to the potential scope of the change: 1) When UI claimants select to have state tax withholding set up for their weekly UI benefit payments, DWD's standard practice is to withhold 5% of the weekly amount payable, which if applied to the total \$609 million equates to \$30,450,000, and 2) The federal UI benefit reduction estimated at \$609 million dollars is approximately 1.5 times the annual amount of regular UI benefits in the pre-pandemic years of 2017 and 2018.

DWD is not able to project what the economic impact to Wisconsin is from a loss of \$609 million in federal benefit payments.

The UI Trust Fund will be affected as certain regular UI benefits will no longer be deferred and paid under PEUC. The Continued Assistance Act allows for claimants to remain on a previous benefit year receiving PEUC under certain circumstances. If a claimant receiving PEUC qualifies for a subsequent benefit year in 2021 under regular UI, but the subsequent weekly benefit rate under regular UI is more than \$25 less than the previous benefit rate received under PEUC, the claimant may remain on PEUC with the higher benefit rate. It is estimated that there are 10,000 claimants in this category. These claimants will now receive regular UI which will be charged to the UI Trust Fund instead of remaining on the federally paid PEUC benefits. The estimated paid regular UI benefits replacing PEUC would be \$35.2 million. Approximately \$2.1 million of these benefits would be reimbursable benefits which normally would cause there to be a state and local impact. However, with the federal government reimbursing 75% of these benefits currently, the impact would be very small. There will be an expected increase in UI taxes of \$10.9 million. The net reduction of the UI Trust Fund is \$22.2 million.

Under this bill, the department would be prohibited from waiving the work search requirement for any reason that is related to COVID-19, the COVID-19 pandemic, or a public health emergency that is in response to or otherwise related to COVID-19 or the COVID-19 pandemic. There is no fiscal effect for this provision as the work search requirement has been re-instated.

Local governments would have no local fiscal effect as these programs are federally funded.

Long-Range Fiscal Implications