

Fiscal Estimate - 2021 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 21-4069/1	Introduction Number AB-0406
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Description
 unemployment insurance contribution rates

Fiscal Effect

State:

- No State Fiscal Effect
- Indeterminate
 - Increase Existing Appropriations
 - Decrease Existing Appropriations
 - Create New Appropriations
- Increase Existing Revenues
- Decrease Existing Revenues
- Increase Costs - May be possible to absorb within agency's budget
 - Yes No
- Decrease Costs

Local:

- No Local Government Costs
- Indeterminate
- 1. Increase Costs 3. Increase Revenue
 - Permissive Mandatory Permissive Mandatory
- 2. Decrease Costs 4. Decrease Revenue
 - Permissive Mandatory Permissive Mandatory
- 5. Types of Local Government Units Affected
 - Towns Village Cities
 - Counties Others
 - School Districts WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

GPR FED PRO PRS SEG SEGS

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DWD 7/2/2021

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Description unemployment insurance contribution rates					

Assumptions Used in Arriving at Fiscal Estimate

Employers pay into the UI Trust Fund at contribution rates established by state law at s. 108.18 (3m). There are four rate schedules with Schedule D having the lowest contribution rates and Schedule A having the highest. The schedule that is set for a given calendar year depends on the cash balance of the state's unemployment reserve fund as of the preceding June 30. If the state's unemployment reserve fund has a cash balance of at least \$1,200,000,000 on June 30th, then Schedule D is in effect in the following calendar year. Employers receive their Annual Rate Notice, form UCT-100B, by the end of October.

This bill requires the department to maintain Schedule D rates through the end of calendar year 2023 regardless of the unemployment trust fund cash balance as of June 30, 2021, and June 30, 2022. This bill also stipulates that the requirement to maintain Schedule D applies only if either 2021 Assembly Bill 68 or 2021 Senate Bill 111, as enacted, transfers, in each fiscal year of the 2021-23 biennium, \$60,000,000 from the general fund to the unemployment reserve fund established in s. 108.16.

Assuming that economic and employment conditions in the next two years result in Schedule C rates being in place for employers, the department estimates the effect of having the same level of economic and employment activity done under Schedule D rates would reduce the UI Trust Fund through a reduction of UI tax revenue in both calendar year 2022 and 2023 by approximately \$26.8 million. The total two-year reduction in employer contributions to the UI Trust Fund is expected to be \$53.6 million. If the 2021-23 budget bill is enacted with the provision that adds a total of \$120,000,000 to the UI Trust Fund, the net result of both bills would be an increase in UI Trust Fund revenues for those two years of \$66.4 million.

UI is currently scheduled to begin the tax rate notice process in August and September to allow for adequate time for IT changes and testing of the new Schedule C rates. The 2022 tax rate notices, per normal business practices, will be mailed in the middle of October. This timeline accommodates two different actions for employers. The first is to make a voluntary contribution to the employer's reserve balance. Employers may send money to UI to increase their reserve balance in order to improve their reserve percentage and qualify for a lower contribution rate within the tax schedule. This voluntary contribution must be done by November 30th. The second reason is to provide employers who use third party UI tax services enough time to inform the services of the new tax rates for the next year.

If this bill and the budget bill become effective prior to August 15, 2021 there is not expected to be any administrative cost for state appropriations.

Local governments would have no local fiscal effect as they are reimbursable employers and not subject to the scheduled UI Trust Fund contribution rates.

Long-Range Fiscal Implications