



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #846

### **Bank Services Appropriation Modification and Increase (DWD)**

[LFB 2009-11 Budget Summary: Page 687, #6]

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#### **CURRENT LAW**

Under current law, DWD is authorized to use Reed Act funds to pay bank services costs. The funding is provided through the unemployment administration; bank service costs appropriation.

#### **GOVERNOR**

Provide increased annual expenditure authority of \$1,580,000 in the unemployment insurance (UI), bank service costs appropriation, and modify the statutory appropriation language to allow the Unemployment Insurance Division to use the appropriation to fund general UI administration expenses. The source of FED funding for the bank service costs appropriation is federal unemployment insurance administration and Reed Act funds.

#### **DISCUSSION POINTS**

1. Federal Reed Act monies are excess federal unemployment insurance taxes from accounts in the federal unemployment trust fund that are transferred to the states when the balances in certain federal accounts exceed statutory limits. The federal Job Creation and Worker Assistance Act of 2002 provided an \$8 billion nationwide distribution of Reed Act funds without the statutory balances being exceeded. Wisconsin received a distribution of \$166.2 million, which was placed in the state unemployment reserve fund. Reed Act funds can only be used for UI benefits, UI administration, and employment services administration. The individual funding transfers of Reed Act monies require special legislation for each allocation. In addition to funding UI benefit payments, the Legislature authorized the use of Reed Act funds for administration of the state

apprenticeship program under provisions of 2003 Wisconsin Act 33 and for funding bank service costs and unemployment insurance administration under provisions of 2005 Wisconsin Act 25.

2. Under current law, the State Treasurer is authorized to pay banking fees incurred by the state unemployment insurance trust fund, either by maintaining compensating balances in bank accounts, or by transferring balances to the trust fund and paying the fees from the UI bank service costs appropriation, using whichever method earns a higher return to the fund. Base level funding for the bank service costs appropriation is \$1,020,000 FED in federal Reed Act funds.

3. As noted, the bill would provide an additional \$1,580,000 FED annually in Reed Act funding to the bank service costs appropriation. Total annual funding would be \$2,600,000, of which \$1,838,800 would be used to fund bank service costs and \$761,200 would be used for UI administration.

4. Under current law, Reed Act funding is provided for UI administration through a separate unemployment insurance administration appropriation [s. 20.445(1)(nf)]. (The primary source of UI administrative funding is provided from a federal grant that is placed in another appropriation.) The UI administration appropriation for Reed Act funds has annual base level funding of \$1,000,000 FED. Statutory appropriation language provides that no moneys can be expended from the appropriation after September 30, 2009.

5. DWD indicates that modifying the statutory bank services appropriation to also permit UI administrative expenses would provide the Department with more flexibility. Amounts identified for bank services are estimates and the needs of each function funded from the appropriation might change during the fiscal year. In addition, the Department would not have to address the sunset in the separate administration appropriation each biennium. DWD indicates that, under the provisions of the bill, there is no need for a separate unemployment insurance administration appropriation for Reed Act funds. An alternative would be to eliminate the UI administration appropriation [s. 20.445(1)(nf)], effective October 1, 2009. (Alternative 2)

## **ALTERNATIVES**

1. Approve the Governor's recommendation to provide increased annual expenditure authority of \$1,580,000 in the UI bank service costs appropriation, and modify the statutory appropriation language to allow the Unemployment Insurance Division to use the appropriation to fund general UI administration expenses.

2. Approve the Governor's recommendation to provide increased annual expenditure authority of \$1,580,000 in the UI bank service costs appropriation, and modify the statutory appropriation language to allow the Unemployment Insurance Division to use the appropriation to fund general UI administration expenses. In addition, delete the UI administration appropriation for Reed Act funds [s. 20.445 (1)(nf)] effective October 1, 2009.

<b>ALT 2</b>	<b>Change to Bill</b>
	Funding
FED	- \$1,000,000

3. Delete the Governor's recommendation.

<b>ALT 3</b>	<b>Change to Bill</b>
	Funding
FED	- \$3,160,000

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