Wisconsin Department of Administration
Division of Executive Budget and Finance
DOA-2048 (R07/2000)

Fiscal Estimate - 2001 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **01-3682/1**	Introduction Number **AB-553**

Subject

Unemployment insurance - various changes

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
☐ Permissive ☒ Mandatory
2. ☐ Decrease Costs
☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue
☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue
☐ Permissive ☐ Mandatory

5.Types of Local Government Units Affected
☒ Towns ☒ Village ☒ Cities
☒ Counties ☒ Others All
☒ School Districts ☒ WTCS Districts

Fund Sources Affected

☒ GPR ☒ FED ☒ PRO ☒ PRS ☒ SEG ☒ SEGS

Affected Ch. 20 Appropriations

20.445(1)(gf) and 20.445(1)(gh)

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

DWD 10/9/01

LRB Number **01-3682/1**	Introduction Number **AB-553**	Estimate Type **Original**
Subject Unemployment insurance - various changes		

Assumptions Used in Arriving at Fiscal Estimate

The bill would increase the maximum weekly benefit rate by $11 for each week of total unemployment beginning in 2002 and another $5 in 2003. Using fiscal note conventions, the increases from the present $313 to $324 and $329 would result in increased expenditure of $17.0 million in 2002 and an additional $6.8 million in 2003. Of the total, the cost to taxable employers is $16.3 million in 2002 and $6.5 million in 2003. The estimates for this provision and all others assume an insured unemployment rate of 2.9%, consistent with the estimates used by all state agencies in constructing biennial budget requests.

The bill would also phase out the practice of converting the amount of an individual's monthly Social Security payment to a weekly amount and deducting half that amount from the weekly Unemployment Insurance benefit rate when determining the weekly amount of Unemployment Insurance paid to a worker who receives Social Security, is laid off, and actively seeks return to work. In 2002 the portion of Social Security disregarded would increase from the present 50% to 75%. In 2003 and thereafter all Social Security benefits would be disregarded. If Social Security were fully disregarded in 2002, Unemployment Insurance costs would increase by $14.4 million, of which $13.8 million would be a cost to taxable employers. Because 25% of Social Security will still be considered in 2002, actual cost for that year is estimated to increase by $8.2 million, of which $7.9 million would be a cost to taxable employers. Again, an insured unemployment rate of 2.9% was used to determine these costs.

In addition, the bill directs the department to extend the deadline for filing an intial claim for benefits by seven days. Allowing additional time for filing is estimated to increase benefit costs by $1.2 million of which an insignificant portion would be charged to governmental and nonprofit employers.

The bill also directs the department to change the definition of full time employment from thirty-five hours to thirty-two hours for purposes of determining a claimant's availability for work. With an insured unemployment rate of 2.9% it is estimated that expenditures would increase by $14.5 million of which $13.9 million could be attributed to private taxable employers. It is assumed that related guidelines would be developed to prevent inappropriate disqualification of workers with good prospects of obtaining more than the minimum number of hours required.

The bill would continue a .01% surcharge on taxable payroll for 2002 and 2003. The revenue would be used to upgrade computer systems used to administer the unemployment insurance program. An estimated $2.4 million would be collected from the assessment for 2002 and $2.5 million from the assessment for 2003. Due to the timing of tax collections, it is anticipated that program revenue in appropriation 20.445(1)(gh) would increase by $1,063,200 in 2001-2002, by $2,444,300 in 2002-2003, and by $1,392,500 in 2003-2004.

For 2002 and 2003 the bill would authorize 15 project positions funded by existing revenues in appropriation 20.445(1)(n). These positions would be used to perform the regular work of the division while current staff are diverted to develop the new computer systems identified above.

Finally, the bill would appropriate $250,000 to pay for a disallowance of federal funds that were used to provide employment services to Unemployment Insurance claimants. The United States Department of Labor does not consider these services an administrative expense of the Unemployment Insurance program. Repayment of the federal funds would be made from interest and penalty charges on delinquent employers and from forfeitures paid by claimants who obtained benefits through misrepresentation. Authority to use these funds to pay for federal disallowances is contained in current law under appropriation 20.445(1)(gf).

It is estimated that expenditures by state and local governmental employers would increase by $1,536,300 when all provisions of the bill are fully implemented. Of the total it is expected that local governments will incur $960,200 and state government will incur $576,100. State governmental expenditures have been entered into the fiscal estimate worksheet and divided among fund sources in proportion to the amounts of the fund sources in the 2001 state fiscal year adjusted base, which was used to construct the 2001-2003 biennial budget. Because the provisions are phased in over the biennium, it has been further estimated that expenditures of local governmental employers would increase by $433,300 in state fiscal year 2001-2002 and by an additional $427,500 in state fiscal year 2002-2003. State expenditures are projected to increase by $260,400 in state fiscal year 2001-2002 and by an additional $256,500 in state fiscal year 2002-2003.

Long-Range Fiscal Implications

Beginning no later than 2004 the bill would allow employers to defer sixty percent of taxes due on taxable payroll in each year's first calendar quarter, provided that the employer's tax liability for that quarter exceeded $5,000. In addition to taxes due on payroll in the second calendar quarter, thirty percent of taxes due on taxable payroll in the first calendar quarter would be due on the date taxes are due on taxable payroll in the second calendar quarter. In addition to taxes due on payroll in the third calendar quarter, twenty percent of taxes due on taxable payroll in the first calendar quarter would be due on the date taxes are due on taxable payroll in the third calendar quarter. In addition to taxes due on payroll in the fourth calendar quarter, ten percent of taxes due on taxable payroll in the first calendar quarter would be due on the date taxes are due on taxable payroll in the fourth calendar quarter. If all employers deferred first quarter tax payments throughout the ensuing year, there would be a positive long run effect on the fund. Reduced tax payments at the outset would lead to higher tax rates for many employers and a net one time gain of revenue of $30 million over a five year period. If there were more selective deferrals, the fund could lose $1 million in interest in a year in which total tax collections were $450 million and there could also be an insignificant change in total tax receipts.

Wisconsin Department of Administration
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Fiscal Estimate Worksheet - 2001 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **01-3682/1**		Introduction Number **AB-553**
Subject		
Unemployment insurance - various changes		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
The bill appropriates $250,000 to 20.445(1)(gf) in 2001-2002 to pay for federal disallowance of costs of employment services provided to Unemployment Insurance claimants.		
II. Annualized Costs:	**Annualized Fiscal Impact on funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$576,100	
(FTE Position Changes)	(15.0 FTE)	
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$576,100**	**$**
B. State Costs by Source of Funds		
GPR	305,300	
FED	132,500	
PRO/PRS	74,900	
SEG/SEG-S	63,400	
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS	2,400,000	
SEG/SEG-S		
TOTAL State Revenues	**$2,400,000**	**$**
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$576,100	$960,200
NET CHANGE IN REVENUE	$2,400,000	$

Agency/Prepared By	**Authorized Signature**	**Date**
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