



1997 SENATE BILL 474

February 25, 1998 - Introduced by Senators PLACHE and ZIEN, cosponsored by Representatives VRAKAS and VANDER LOOP. Referred to Committee on Labor, Transportation and Financial Institutions.

1 **AN ACT to amend** 20.445 (1) (nb) of the statutes; **relating to:** solvency
2 contribution rates applicable to certain employers for unemployment insurance
3 purposes in 1998, unemployment insurance information technology systems
4 and making an appropriation.

Analysis by the Legislative Reference Bureau

Currently, all employers that engage employees in work which is covered under the unemployment insurance law, other than governmental and nonprofit employers which elect to pay directly for the cost of benefits, must pay contributions (taxes) to finance unemployment insurance benefits. The total contributions of an employer are the sum of the employer's contribution rate and the employer's solvency rate multiplied by its payroll for unemployment insurance purposes. Both the contribution rate and the solvency rate vary with the employment stability of the employer and the solvency of the unemployment reserve fund, from which benefits are paid. An employer's contributions payable as a result of its contribution rate are credited to the employer's account, while an employer's contributions payable as a result of its solvency rate are credited to the fund's balancing account, which is used to finance benefits that are not chargeable to any employer's account. Currently, there are 4 schedules of contribution and solvency rates. Prior to 1998, there were 3 schedules. The schedule that applies for any year depends upon the solvency of the fund on June 30 of the preceding year.

Currently, with limited exceptions, if an employer does not have a negative balance in its account on June 30 preceding any year, the employer's contribution

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rate for that year may not increase by more than 1% over the previous year and if an employer has a negative balance in its account on June 30 preceding any year, the employer's contribution rate for that year may not increase by more than 2% over the previous year. In addition, in either of these cases, if any employer must pay contributions for any 12-month period ending on June 30 and has no payroll for that period, the employer's contribution and solvency rates for the succeeding year are based on the payroll for the most recent 12-month period ending on June 30 in which the employer had a payroll and the employer's contribution rate for the succeeding year, if less than 1%, is increased to 1%. If, under the current schedule of contribution and solvency rates, the maximum and minimum contribution rate thus required to be paid by such an employer for any year results in a contribution rate that is not in the current schedule, the employer's contribution and solvency rates for that year are increased to the next highest rates in the schedule.

This bill provides that if an employer had a positive balance in its account on June 30, 1997, and the total rate at which the employer is required to pay contributions under the schedule that is in effect for 1998 is greater than it would have been in 1998 under the schedule that was in effect for 1997 because the employer is affected by a maximum or minimum rate discussed above that has been rounded up to the next highest rate in the current schedule, the employer's solvency rate for 1998 is reduced by the difference between the employer's total rate for 1998 and the total rate that would apply to the employer if the schedule in effect for 1997 was used, but not below zero percent.

Currently, \$450,000 in federal revenue is appropriated to the department of workforce development for the design or development of unemployment insurance information technology systems in fiscal year 1997-98. This bill permits the department to utilize these moneys for this purpose at any time prior to February 1, 2000.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.445 (1) (nb) of the statutes, as created by 1997 Wisconsin Act 39,
2 is amended is to read:

3 20.445 (1) (nb) *Unemployment information technology systems; federal moneys.*
4 The As a continuing appropriation, the amounts in the schedule, as authorized by
5 the governor ~~for this purpose~~ under s. 16.54, for the purpose specified in s. 108.19
6 (1e). All moneys transferred from par. (n) for this purpose shall be credited to this

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1 appropriation account. Notwithstanding s. 20.001 (3) (a), the treasurer of the
2 unemployment reserve fund shall transfer any unencumbered balance in this
3 appropriation account that is not needed or available to carry out the purpose of this
4 appropriation to the appropriation account under par. (n). No moneys may be
5 expended from this appropriation unless the treasurer of the unemployment reserve
6 fund determines that such expenditure is currently needed for the purpose specified
7 in s. 108.19 (1e). No moneys may be encumbered from this appropriation account
8 after the beginning of the 3rd 12-month period beginning after the effective date of
9 this paragraph [revisor inserts date].

SECTION 2. Nonstatutory provisions.

10
11 (1) Notwithstanding section 108.18 (5), (5m), (6) and (8) of the statutes and
12 section 108.18 (9) (figure) of the statutes, as affected by the acts of 1997, if an
13 employer who is required to pay contributions under section 108.18 of the statutes
14 for the 1998 calendar year had a positive balance in its account on June 30, 1997, and
15 the employer is affected by the contribution rate increase limitation under section
16 108.18 (5) of the statutes or the minimum contribution rate prescribed in section
17 108.18 (6) of the statutes, and in either case the contribution rate applicable to that
18 employer, under section 108.18 (5m) of the statutes, has been rounded to a higher
19 contribution rate than would otherwise be applicable to that employer, and that
20 contribution rate is higher than the contribution rate that would apply to the
21 employer under schedule C of section 108.19 (4) (figure) and (9) (figure), 1995 stats.,
22 the solvency rate applicable to the employer for the 1998 calendar year shall be
23 reduced by the difference between the total contribution and solvency rate that
24 applies to that employer for the 1998 calendar year under schedule D of section
25 108.19 (4) (figure) and (9) (figure) of the statutes, as affected by the acts of 1997, and

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1 the total contribution and solvency rate that would apply to the employer for the 1998
2 calendar year under schedule C of section 108.19 (4) (figure) and (9) (figure), 1995
3 stats., but not below zero percent.

4 (END)