



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

January 14, 2010

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Governor's Request for Approval of Increased Expenditure Authority for
Unemployment Insurance Administration Reimbursement Funding -- Agenda Item III

REQUEST

The Governor requests approval of increased expenditure authority of \$9,000,000 FED in 2009-10 in the appropriation under s. 20.445(1)(n), employment assistance and unemployment insurance administration; federal moneys.

BACKGROUND

Federal Emergency Unemployment Compensation (EUC) is a federally funded extension of unemployment insurance (UI) benefits. EUC was created on June 30, 2008, by the federal Supplemental Appropriations Act of 2008, and was subsequently extended and expanded by the Unemployment Extension Act of 2008, enacted November 21, 2008, the American Recovery and Reinvestment Act of 2009 (ARRA), enacted February 17, 2009, the Worker, Homeowner, and Business Assistance Act of 2009, enacted November 6, 2009, and the Department of Defense Appropriations Act, enacted December 19, 2009.

To be eligible for EUC benefits an individual must meet the following requirements: (a) have an unemployment claim that began on or after May 7, 2006; (b) have base period wages in the base period of the claim equal to 40 times the weekly benefit rate; (c) have exhausted regular UI benefits, or have the benefit year end and not be eligible for a new benefit claim; (d) be unemployed, or working reduced hours; and (e) be able, available, and searching for work.

The EUC weekly benefit rate (payment) is equal to the individual's most recent regular UI weekly benefit rate. Four tiers of EUC benefits are provided that determine the duration of EUC

benefits. An individual that meets eligibility requirements could receive EUC under all four tiers (if the state meets the economic criteria required under tiers 3 and 4). The four tiers of EUC are:

a. Tier 1. EUC benefits are provided for the lesser of 20 weeks, or for EUC total weekly payments of 80% of the total amount of regular UI benefits payable for the regular UI claim.

b. Tier 2. EUC benefits are provided for the lesser of 14 weeks, or for EUC total weekly payments of 54% of the total amount of regular UI benefits payable for the regular UI claim.

c. Tier 3. EUC benefits are provided for the lesser of 13 weeks, or for EUC total weekly payments of 50% of the total amount of regular benefits payable for the regular UI benefits payable for the regular UI claim. Tier 3 EUC benefits are only available if the state meets one of the following criteria: (1) has a 13-week insured unemployment rate of at least 4%; or (2) has a three-month seasonally adjusted total unemployment rate of at least 6%.

d. Tier 4. EUC benefits are provided for the lesser of 6 weeks, or for EUC total weekly payments of 24% of the total amount of regular UI benefits payable for the regular UI claim. Tier 4 EUC benefits are only available if the state meets one of the following criteria: (1) has a 13-week insured unemployment rate of at least 6%; or (2) has a three-month seasonally adjusted total unemployment rate of at least 8.5% (Wisconsin has triggered off tier 4, so such EUC benefits are not available to Wisconsin claimants.)

The Department of Workforce Development (DWD) administers EUC for state UI claimants. Individuals who are unemployed or working reduced hours and are filing weekly claims for regular benefits can continue to file weekly claims after their regular benefits are exhausted, and DWD will notify the individual of his or her eligibility for EUC. Individuals who have not been filing weekly claims for regular benefits, and are unemployed or working reduced hours, must file an application for additional benefits online, or by telephone with DWD, to receive notice of their eligibility for EUC.

ANALYSIS

DWD receives annual funding from the U.S. Department of Labor (DOL) to administer the state's UI system. The amount of federal funding provided by DOL is based on workload, generally the number and types of UI benefit claims processed. Measures of workload are reported to DOL, and federal administrative funding grants are calculated based on this information. UI Division administrative expenses are generated by, but not limited to, activities related to processing phone benefit claims, providing assistance to claimants and employers, adjudicating eligibility issues, adjudication support, analyzing, computing, and implementing complex UI benefit claims, and data processing. DWD estimates that it will receive \$78 million in state fiscal year 2009-10 in federal funding for base level UI administrative expenses. This funding is appropriated through the appropriation under s. 20.445(1)(n), employment assistance and unemployment insurance administration; federal moneys.

During periods of high workload DOL increases administrative funding grants (above the base level) to fund additional administrative expenses associated with processing a higher claims volume. As noted, DWD administers federally funded EUC benefit claims. The EUC program has increased the number and length of benefit claims administered by the UI Division. In 2009, there were 214,562 initial weeks, and 3,086,875 continued weeks of EUC benefits claimed in Wisconsin. (In 2009, there were 1,127,384 initial weeks and 8,289,047 continued weeks of regular UI benefits claimed.) Due to the increased workload from administering federal EUC, DWD received \$2.9 million in additional federal administrative funding for the period from July through September 2009. Based on current workload, the Department estimates that it will receive an additional \$6 million to cover EUC-related workload for the period from October, 2009, through June, 2010, or a total of approximately \$9 million for fiscal year 2009-10. The additional \$9 million in federal administrative funds will be used for expenses that include salary, fringe benefits, communications, postage, technical programming, Department of Administration mainframe expenses, and other technical overhead such as data processing, software and hardware, and supplies and services.

ARRA modified the EUC program by funding benefits paid from April 1, 2009, onward from general federal revenues, and not from Federal Unemployment Tax Act (FUTA) revenues. Federal guidance from DOL requires that EUC activities funded from general revenue must be reported as ARRA funded program activity. Consequently, this applies to the federal funding provided to DWD to administer EUC. The Governor has requested that the Joint Committee on Finance approve an increase in expenditure authority of \$9,000,000 in 2009-10 in the DWD appropriation under 20.445(1)(n), employment assistance and unemployment insurance administration; federal moneys to reflect additional administrative funding provided to DWD to administer the federal EUC program in Wisconsin.

CONCLUSION

DWD has incurred increased administrative costs related to administering the federal EUC program in the state. These costs will be reimbursed through administrative funding grants from the DOL. Committee approval of increased expenditure authority of \$9,000,000, in the DWD appropriation under s. 20.445(1)(n), employment assistance and unemployment insurance administration; federal moneys, would allow the Department to expend those funds for administrative expenses related to administering EUC.

Prepared by: Ron Shanovich