Representative Klenke
Representative Nygren
Representative Strachota
Representative LeMahieu
Representative Knudson
Representative Kooyenga

WORKFORCE DEVELOPMENT

Changes to Unemployment Insurance Law

Motion:

Move to modify current statutes regarding unemployment insurance (UI), as outlined in italics below.

Payment of Interest to the Federal Government

Under current law, to pay the amount of interest owed to the U.S. Treasury on advances taken for the state unemployment reserve fund (URF), the Department of Workforce Development (DWD) must determine a special annual assessment on employers subject to the state's UI law to pay that interest. The assessment is based on the employer's taxable payroll. The assessment rate for employers using reimbursement financing must be equal to 75% of the rate imposed on employers using contribution financing. Employers with taxable payroll of $25,000 or less for the prior year are exempt from the assessment. Subject to these restrictions, DWD must set the assessment rate at a level sufficient to generate the required interest payment. The amount collected by the assessment is deposited into a separate, nonlapsible trust fund called the unemployment interest payment fund. Federal interest payments from that fund are made through the sum sufficient unemployment interest payments and transfers appropriation.

The motion would create a GPR sum sufficient appropriation called the interest on federal advances appropriation, not exceeding $30 million, to pay interest on advances made by the federal government to the URF. DWD would be required to first use these funds to make full payment of the amount due in any year, and then use any unencumbered balance in the unemployment interest payment fund, and then use available money received by the administrative account from interest and penalties to pay the federal government interest on advances to the URF. If these revenues are insufficient, DWD would have to assess employers for the remaining amount due by imposing the current law assessment on employers with taxable payrolls of more than $25,000 in the prior year in the manner described above.

Interest payments to the federal government are estimated at $19,000,000 SEG for September, 2013, and $7,000,000 SEG for September, 2014. *The motion would reduce assessment payments paid by employers subject to contribution and reimbursement financing and, instead, use GPR to make these interest payments.*

These provisions would take effect on July 1, 2013, or on the day after publication of the budget bill, whichever is later. These provisions would be repealed on July 1, 2015.

Interfund Borrowing

Under the motion, if the DWD Secretary determines that employers in this state that are subject to a requirement to pay a federal unemployment tax could experience a lower tax rate if this state were to loan moneys to the URF through interfund borrowing, the DWD Secretary would be required to request the Secretary of the Department of Administration (DOA) to make one or more transfers to the URF in the amount required to maintain a favorable federal tax experience for employers. The DWD Secretary could not request such a transfer if the outstanding balance of such transfers at the time of the request would exceed $50 million. Whenever the DWD Secretary would determine that the balance of the URF permits repayment of a transfer, in whole or in part, without jeopardizing the ability of DWD to continue to pay other liabilities and costs chargeable to the URF, the DWD Secretary would have to repay DOA for the amount that the DWD Secretary determines is available for repayment. The DWD Secretary would have to ensure that the timing of any repayment accords with federal requirements for ensuring a favorable tax experience for Wisconsin employers.

Under current law, at least 15 days prior to the beginning of any calendar quarter in which the DOA Secretary anticipates that it will be necessary to exercise an emergency cash flow transfer, or to incur financial obligations and issue bond notes, the DOA Secretary must generally submit a plan to the Joint Committee on Finance (JCF) describing the specific nature of any proposed action that may be required. If JCF does not, within two working days after a notification of the specific plan being submitted, schedule a meeting to review the DOA Secretary's proposal, the Secretary may proceed with the proposed action. Within 30 days after the end of each calendar quarter during which the DOA Secretary exercises this authority, during which there is any outstanding reallocation of moneys or during which there are any outstanding operating bond notes, the DOA Secretary must submit to JCF a report on the status of all such matters, together with an assessment of the degree to which the DOA Secretary anticipates that state funds and accounts will have sufficient revenues to meet anticipated obligations during the six-month period following the calendar quarter for which the report is issued. *Under the motion, these provisions would not apply to the actual or projected imbalances in the URF or to loans made to the URF.*

Under current law, all appropriations, special accounts, and fund balances within the general fund, or any segregated fund, may be made temporarily available for the purpose of allowing encumbrances or financing expenditures of other general or segregated fund activities which do not have sufficient moneys in the accounts from which they are financed, but have accounts receivable balances or moneys anticipated to be received from lottery proceeds, tax revenues, gifts, grants, fees, sales of service, or interest earnings. *The motion would specify that such transfers between accounts would also be allowed for the purpose of financing UI benefits from the URF whenever there are insufficient monies in the URF to pay those benefits. In addition, the motion would specify that contribution revenues that would be sufficient to repay the fund or account from which the moneys are transferred would be permissible as a stream of future revenues to repay the fund.*

Current law specifies that the DOA Secretary may not make temporary reallocations of surplus monies between accounts, other than the general fund, of more than $400 million. *The motion would exclude any reallocations to the URF from this limit.*

As noted, under the motion, the DWD Secretary could request from the DOA Secretary a temporary transfer of monies available from the general fund, segregated funds, or from the budget stabilization fund to the URF. The DOA Secretary would have to credit repayments received from the URF to the funds or accounts from which the transfer was made. The transfers outstanding could not exceed $50 million at any time. No transfer could be made under these provisions unless the DOA Secretary first submits written notice to the JCF cochairpersons that the transfer would be proposed to be made. If the JCF cochairpersons do not notify the DOA Secretary that the Committee has scheduled a meeting for the purpose of reviewing the proposed transfer within 30 days after the date of the Secretary's notification, the transfer could be made as proposed by the Secretary. If, within 30 days after the date of the notification by the DOA Secretary, the cochairpersons of JCF notify the Secretary that the Committee has scheduled a meeting for the purpose of reviewing the proposed transfer, the transfer could only be made upon approval by the Committee.

These provisions would take effect on January 1, 2014.

Contribution Financing Tax Rates

Under current law, there are four different sets of contribution and solvency rate schedules. In addition, each solvency rate schedule distinguishes between employers with taxable payrolls of less than $500,000 and employers with taxable payrolls of $500,000 or more. The specific rate schedule that applies in a given year depends on the balance in the state's URF on June 30. Schedule A is effective if the balance in the state's URF is less than $300 million. Schedule B is in effect if the URF balance is at least $300 million but less than $900 million. Schedule C applies if the URF balance is at least $900 million but less than $1.2 billion, and Schedule D applies if the balance is at least $1.2 billion. For each schedule, the contribution rate and solvency rate that may apply is based on the employer's unemployment experience. This experience is reflected in an employer account balance in the URF. The account balance is the net of all tax payments less benefit charges for that employer. To determine the applicable contribution rates, each June 30, the balance in an employer's account in the URF (which includes tax payments made through July 31 and benefit payments made through June 30) is calculated and divided by the employer's taxable payroll for the preceding four calendar quarters. This computation yields a "reserve percentage" which serves as an indicator of the status of the employer's account in relationship to the size of the employer's taxable payroll. A positive reserve percentage indicates that an employer has paid more in contributions than its employees have drawn in benefits, while a negative reserve percentage indicates that the opposite is true. Under current law, the highest tax rates apply to employers with a reserve percentage of -6.0% or less. The tax rates that apply to employers under current law are shown in Attachment I.

The motion would create new contribution and solvency tax rates for employers with negative reserve percentages as shown below. Table 1 shows the contribution and solvency rates that would apply under the motion, as compared to current law, for employers with annual

taxable payroll of less than $500,000. Table 2 provides a similar comparison for employers with taxable payroll of $500,000 or more. The full schedule of tax rates that would apply to employers under the motion is shown in Attachment II.

TABLE 1

Employers with Taxable Payroll of Less Than $500,000

Reserve Percentage	Contribution Rate		Solvency Rate	
	Current Law	*Under Motion*	Current Law	*Under Motion*
Schedule A				
-6.0% to -7.0%	8.50%	*8.50%*	1.30%	*1.30%*
-7.0% to -8.0%	8.50	*9.25*	1.30	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.30	*1.30*
-9.0% or less	8.50	*10.70*	1.30	*1.30*
Schedule B				
-6.0% to -7.0%	8.50%	*8.50%*	1.30%	*1.30%*
-7.0% to -8.0%	8.50	*9.25*	1.30	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.30	*1.30*
-9.0% or less	8.50	*10.70*	1.30	*1.30*
Schedule C				
-6.0% to -7.0%	8.50%	*8.50%*	1.25%	*1.30%*
-7.0% to -8.0%	8.50	*9.25*	1.25	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.25	*1.30*
-9.0% or less	8.50	*10.70*	1.25	*1.30*
Schedule D				
-6.0% to -7.0%	8.50%	*8.50%*	1.25%	*1.25%*
-7.0% to -8.0%	8.50	*9.25*	1.25	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.25	*1.30*
-9.0% or less	8.50	*10.70*	1.25	*1.30*

TABLE 2

Employers with Taxable Payroll of $500,000 or More

Reserve Percentage	Contribution Rate		Solvency Rate	
	Current Law	*Under Motion*	Current Law	*Under Motion*
Schedule A				
-6.0% to -7.0%	8.50%	*8.50%*	1.30%	*1.30%*
-7.0% to -8.0%	8.50	*9.25*	1.30	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.30	*1.30*
-9.0% or less	8.50	*10.70*	1.30	*1.30*
Schedule B				
-6.0% to -7.0%	8.50%	*8.50%*	1.30%	*1.30%*
-7.0% to -8.0%	8.50	*9.25*	1.30	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.30	*1.30*
-9.0% or less	8.50	*10.70*	1.30	*1.30*
Schedule C				
-6.0% to -7.0%	8.50%	*8.50%*	1.35%	*1.30%*
-7.0% to -8.0%	8.50	*9.25*	1.35	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.35	*1.30*
-9.0% or less	8.50	*10.70*	1.35	*1.30*
Schedule D				
-6.0% to -7.0%	8.50%	*8.50%*	1.25%	*1.25%*
-7.0% to -8.0%	8.50	*9.25*	1.25	*1.30*
-8.0% to -9.0%	8.50	*10.00*	1.25	*1.30*
-9.0% or less	8.50	*10.70*	1.25	*1.30*

These provisions would take effect on the first Sunday after publication of the budget bill and would first apply with respect to payrolls beginning on January 1, 2015.

Voluntary Termination of Work

Under current law, if an employee terminates work with an employing unit, the employee is ineligible to receive UI benefits until four weeks have elapsed since the end of the week in which the termination occurs and the employee earns wages after that week equal to at least four times the employee's weekly UI benefit rate in employment or other work covered by UI law of any state or the federal government. *The motion would delete the requirement that four weeks have elapsed after termination and require that the employee earns wages, after the week in which the termination occurred, equal to at least six times the employee's weekly UI benefit rate in covered employment.*

Current law provides certain exceptions for when the work termination statute (as described above) does not apply. Among these exceptions, the work termination statute does not apply in the following instances:

a. If DWD determines that the employee terminated his or her work to accept a recall to work for a former employer within 52 weeks after having last worked for such employer.

b. If the employee: (1) maintained a temporary residence near the work terminated; (2) maintained a permanent residence in another locality; and (3) terminated such work and returned to his or her permanent residence because the work available to the employee had been reduced to less than 20 hours per week in at least two consecutive weeks.

c. If DWD determines that the employee left or lost his or her work because of reaching the compulsory retirement age used by the employee's employing unit.

d. To an employee who terminates his or her part-time work if the employee is otherwise eligible to receive benefits because of the loss of the employee's full-time employment and the loss of the full-time employment makes it economically unfeasible for the employee to continue the part-time work.

e. To an employee who terminates his or her work with a labor organization if the termination causes the employee to lose seniority rights granted under a collective bargaining agreement and if the termination results in the loss of the employee's employment with the employer which is a party to that collective bargaining agreement.

f. To an employee who: (1) terminated work in a position serving as a part-time elected or appointed member of a governmental body or representative of employees; (2) was engaged in work for an employing unit other than the employing unit in which the employee served under "1" at the time that the employee terminated work under "1"; and (3) was paid wages in the terminated work constituting not more than 5% of the employee's base period wages for purposes of benefit entitlement.

g. To an employee who terminates his or her work in one of two or more concurrently held positions, at least one of which is full-time work, if the employee terminates his or her work before receiving notice of termination from a position which is full-time work.

h. If DWD determines that an employee, while claiming benefits for partial unemployment, terminated work to accept employment or other work covered by UI law of any state or the federal government, if that work offered an average weekly wage greater than the average weekly wage earned in the work terminated.

l. If DWD determines that the employee owns or controls, directly or indirectly, an ownership interest, however designated or evidenced, in a family corporation, and the employee's employment was terminated by the employer because of an involuntary cessation of the business of the corporation under certain circumstances.

The motion would repeal the exceptions "a" through "l" described above from the work termination statute.

Currently, the work termination statute does not apply if DWD determines that the employee accepted work which the employee could have failed to accept with good cause (under the suitable work statutes) and terminated such work with the same good cause and within the first ten weeks after starting the work, or that the employee accepted work which the employee could have refused (under the statutes regarding protection of labor standards) and terminated such work within the first ten weeks after starting the work. *The motion would reduce the 10-week periods under this provision to 30 days.*

Currently, the work termination statute does not apply if DWD determines that the employee terminated work to accept certain types of employment or other work covered by UI laws of any state or the federal government and earned wages in the subsequent work equal to at least four times the employee's weekly benefit rate if the work met certain conditions under certain circumstances. *Under the motion, an employee who terminated work to accept certain types of work under this statute would not be required to have earned wages in the subsequent work equal to at least four times the employee's weekly benefit rate to be exempt from the work termination statute.*

Currently, the work termination statute does not apply if DWD determines that the employee's spouse changed his or her place of employment to a place to which it is impractical to commute and the employee terminated his or her work to accompany the spouse to that place. *Under the motion, this exception would only apply if: (a) the employee's spouse is a member of the U.S. armed forces on active duty; (b) the employee's spouse was required by the U.S. armed forces to relocate to a place to which it is impractical for the employee to commute; and (c) the employee terminated his or her work to accompany the spouse to that place.*

These provisions would take effect on the first Sunday after publication of the budget bill. The provisions would first apply on January 5, 2014, with respect to determinations of benefit claims that would be issued, or, with respect to decisions issued on determinations that would be appealed on that date.

Misconduct and Substantial Fault

Under current law, if an employee is terminated by an employer for misconduct connected with the employee's work, the employee is generally ineligible to receive benefits until seven weeks have elapsed since the end of the week in which the discharge occurs and the employee earns wages after the week in which the discharge occurs equal to at least 14 times the employee's weekly benefit rate in employment or other work covered by UI law of any state or federal government. *Under the motion, "misconduct" would mean one or more actions or conduct evincing such willful or wanton disregard of an employer's interest as is found in deliberate violations or disregard of standards of behavior which an employer has a right to expect of his or her employees, or in carelessness or negligence of such degree or recurrence as to manifest culpability, wrongful intent, or evil design of equal severity to such disregard, or to show an intentional and substantial disregard of an employer's interests, or of an employee's*

duties and obligations to his or her employer. In addition, "misconduct" would also include the following.

a. A violation by an employee of an employer's reasonable written policy concerning the use of alcohol beverages or use of a controlled substance or a controlled substance analog if the employee: (1) had knowledge of the alcohol beverage or controlled substance policy; and (2) admitted to the use of alcohol beverages, a controlled substance, or controlled substance analog or refused to take a test or tested positive for the use of such substances in a test used by the employer in accordance with a testing methodology approved by DWD.

b. Theft of an employer's property or services with intent to deprive the employer of the property or services permanently, theft of currency of any value, felonious conduct connected with an employee's employment with his or her employer, or intentional or negligent conduct by an employee that causes substantial damage to his or her employer's property.

c. Conviction of an employee of a crime or other offense subject to civil forfeiture, while on or off duty, if the conviction makes it impossible for the employee to perform the duties that the employee performs for his or her employer.

d. One or more threats or acts of harassment, assault, or other physical violence instigated by an employee at the workplace of his or her employer.

e. Absenteeism by an employee on more than two occasions within the 120-day period before the date of the employee's termination, unless otherwise specified by his or her employer in an employment manual of which the employee has acknowledged receipt with his or her signature, or excessive tardiness by an employee in violation of the policy of the employer that has been communicated to the employee if the employee does not provide to his or her employer both notice and one or more valid reasons for the absenteeism or tardiness. [This provision would replace the current law provisions regarding discharge of an employee for failure to notify the employer of absenteeism or tardiness, which is described below.]

f. Unless directed by the employer, falsifying business records of the employer.

g. Unless directed by the employer, a willful and deliberate violation of a written and uniformly applied standard or regulation of the federal government or a state or tribal government by an employee of an employer that is licensed or certified by a governmental agency, which standard or regulation has been communicated by the employer to the employee and which violation would cause the employer to be sanctioned or to have its license or certification suspended by the agency.

Current law specifies that if an employee is ineligible for UI benefits if the employee is discharged for failing to notify his or her employer of absenteeism or tardiness that becomes excessive and the employer has complied with the following requirements:

a. The employer has a written policy on notification or tardiness or absenteeism that defines what constitutes a single occurrence of tardiness or absenteeism, describes the process

for providing adequate notice of tardiness or absence, and notifies the employee that failure to provide adequate notice of an absence or tardiness may lead to discharge.

b. The employer must provide a copy of the written policy to each employee and must have written evidence that the employee received a copy of that policy;

c. The employer must have given the employee at least one warning concerning the employee's violation of the employer's written policy within the 12-month period preceding the date of the discharge.

d. The employer must apply that written policy uniformly to all employees of the employer.

If an employee is discharged under these provisions, the employee is ineligible to receive benefits until six weeks have elapsed since the end of the week in which the discharge occurs and the employee earns wages after the week in which the discharge occurs equal to at least six times the employee's weekly benefit rate in employment or other work covered by the UI law of any state or the federal government. For purposes of requalification, the employee's weekly benefit rate must be the rate that would have been paid had the discharge not occurred. Excessive tardiness applies if an employee is late for six or more scheduled workdays in the 12-month period preceding the date of discharge without providing adequate notice to his or her employer. Excessive absenteeism applies if an employee is absent for five or more scheduled workdays in the 12-month period preceding the date of the discharge without providing adequate notice to his or her employer. DWD must charge to the fund's balancing account the cost of any benefits paid to an employee who was discharged for failure to notify the employer of absenteeism or tardiness that are otherwise chargeable to the account of an employer that is subject to contribution financing if the employee is discharged by that employer. If an employee is not disqualified under these provisions, an employee may be disqualified under the current law misconduct provisions.

As noted, the motion would delete the current law provisions governing excessive absenteeism or tardiness and under the motion the provision described in "e" above would apply instead.

The motion would create provisions governing discharge of an employee for substantial fault. An employee whose work is terminated by an employing unit for substantial fault by the employee connected with the employee's work under the motion would be ineligible to receive benefits until seven weeks have elapsed since the end of the week in which the termination occurs and the employee earns wages after that week equal to at least 14 times the employee's weekly benefit rate in employment or other work covered by any state or federal UI law. For purposes of requalification, the employee's benefit rate would be the rate that would have been paid had the discharge not occurred. "Substantial fault" would include those acts or omissions of an employee over which the employee exercised reasonable control and which violate reasonable requirements of the employee's employer, but would not include any of the following: (a) one or more minor infractions of rules unless an infraction is repeated after the employer warns the

employee about the infraction; (b) one or more inadvertent errors made by the employee; or (c) any failure by the employee to perform work because of insufficient skill, ability, or equipment.

DWD would have to charge to the fund's balancing account the cost of any benefits paid to an employee that would otherwise be chargeable to the account of an employer that is subject to contribution financing if the employee is discharged by the employer under the substantial fault provisions.

These provisions would take effect on the first Sunday after publication of the budget bill. The provisions would first apply on January 5, 2014, with respect to determinations of benefit claims issued, or, with respect to decisions issued on determinations that are appealed on that date.

Work Search -- Temporary Help Companies

Under current law, a claimant is generally eligible for UI benefits for any given week only if: (a) the individual is able to work and available for work during that week; (b) as of that week, the individual has registered for work (under a separate part of the budget bill, an individual would have to register for work as directed by DWD); and (c) the individual conducts two actions that constitute a reasonable search for suitable work during that week, unless the requirement is waived (under a separate part of the budget bill, an individual would have to conduct at least four such actions). *The motion would create a rebuttable presumption under "c" that a claimant has not conducted a reasonable search for suitable work in a given week if all of the following apply:*

a. The claimant was last employed by a temporary help company.

b. The temporary help company required the claimant to contact the temporary help company about available assignments weekly, or less often as prescribed by the temporary help company, and the company gave the claimant written notice of that requirement at the time the claimant was initially employed by the company.

c. During that week, the claimant was required to contact the temporary help company about available assignments and the claimant did not do so.

d. The temporary help company submits a written notice to DWD within ten business days after the end of that week reporting that the claimant did not contact that company about available assignments.

A claimant could only rebut the presumption that the claimant did not meet the reasonable work search requirement if the claimant demonstrates one of the following to DWD for a given week: (a) that the claimant did contact the temporary help company about available assignments during that week; or (b) that the claimant was not informed by the temporary help company of the requirement to contact that company or had other good cause for his or her failure to contact that company about available assignments during that week.

The motion would further specify that, if a claimant last employed by a temporary help company contacts that company during a given week about available assignments, that contact

would constitute one action that constitutes a reasonable search for suitable work.

These provisions would take effect on the first Sunday after publication of the budget bill. The provisions would first apply on January 5, 2014, with respect to the determinations of benefit claims issued, or, with respect to determinations of benefit claims that are appealed on that date.

Reduced Partial Benefits During Holidays

Under current law, a claimant may be eligible for partial benefits if that claimant earns wages in a given week of unemployment. To determine the benefit payment received by an individual who is partially employed, the first $30 of wages is excluded and the benefit payment is reduced by 67% of the individual's remaining wages. A claimant is ineligible to receive partial UI benefits if the claimant for 32 or more hours in a week works, receives wages, or receives holiday, vacation, termination, or sick pay that is treated as wages.

The motion would permit an employer to, on or before December 1, provide to DWD a written notice designating that the employer will undergo a complete business shutdown, which would mean that all locations operated by an employer are closed for business completely and no employee employed by the business could be required by the employer to report for work or be available for work, on one or more state or federal holidays in the succeeding calendar year. An employer could not designate more than seven state or federal holidays, as defined under current state and federal law, for a complete business shutdown during the succeeding calendar year. The notice would not be valid for any subsequent calendar year.

The number of hours that a claimant could work, receive wages, or receive holiday, vacation, termination, or sick pay that could be treated as wages in a given week before the claimant would be ineligible for partial benefits would be reduced by eight hours for the week during which a state or federal holiday occurs if both of the following apply: (a) the claimant has base period wages only from the employer who designated a complete business shutdown; and (b) the employer designated the state or federal holiday for a complete business shutdown and underwent a complete business shutdown on that day.

If the employer that provides a notice of a complete business shutdown will not or does not undergo a complete business shutdown on a state or federal holiday, as designated in the notice, the employer would have to, no later than the first business day following the week in which the state or federal holiday occurs, provide DWD with a written notice indicating that the complete business shutdown will not or did not occur.

These provisions would take effect on the first Sunday following publication of the budget bil, and would first apply to notices submitted by employers to DWD for complete business shutdowns that would occur on state or federal holidays in calendar year 2015.

Note:

The motion would make various changes to UI law that would affect benefits paid to claimants, taxes paid by employers, and the balance of the URF.

Benefits Paid to UI Claimants

According to DWD, the provisions of the motion, as described under the sections on voluntary termination of work, misconduct and substantial fault, work search -- temporary help companies, and reduced partial benefits during holidays, would reduce benefits paid to individuals by an estimated $14.1 million in state fiscal year 2013-14 and by $23.1 million in 2014-15. The voluntary termination of work and the misconduct and substantial fault provisions represent the majority of the estimated reduction in UI benefits paid to individuals, and would first apply to weeks of unemployment beginning January 5, 2014. UI benefits paid to claimants are partially subject to state income taxes. As a result of these benefit reductions, income tax collections would be reduced by an estimated $700,000 in 2013-14 and $1,200,000 in 2014-15.

Taxes Paid by Employers

The motion would increase taxes on employers with low reserve percentages, as described in the section on contribution financing tax rates, for taxable payrolls beginning January 1, 2015. The increased taxes would be partly offset by reduced taxes paid by employers whose reserve percentages would improve as a result of paying less in benefits due to the benefit reductions described above. As shown in Attachment I, under current law, if an employer generally pays less in benefits in a given year than the employer pays in taxes, that employer would have a higher reserve percentage for the following year and lower tax rates would apply for that employer. The net effect of these two provisions would result in employers paying an estimated $17.2 million more in UI taxes in state fiscal year 2014-15 and $32 million annually thereafter. Under the provisions described under payment of interest to the federal government, assessments paid by employers would be reduced by approximately $19 million in 2013-14 and by $7 million 2014-15, which is described in further detail below.

Federal Interest Payments

As noted in the section described in the body of the motion under payment of interest to the federal government, the motion would create a sum sufficient GPR appropriation, not to exceed $30,000,000, to pay for interest owed on the outstanding balance of the federal UI loan. Under the current forecast, interest payments that will be owed to the federal government are estimated at $19,000,000 in 2013-14 and $7,000,000 in 2014-15. The other provisions included in the motion are not expected to significantly affect the amount of interest that would be payable to the federal government over the forecast period. As a result, the motion would reduce estimated SEG

expenditures from the unemployment interest payments and transfers appropriation by $19,000,000 in 2013-14 and $7,000,000 in 2014-15. These SEG expenditures under current law are generated from assessments on employers, as described in the body of the motion. The motion would, under the current forecast, eliminate the assessment on employers during the biennium and, instead, use general fund revenues from the interest on federal advances appropriation, created under this motion, to make payments to the federal government.

URF Forecast

Based on DWD's most recent URF projections, it is anticipated that the fund will have an ending balance of -$446 million in calendar year 2013, -$10 million in 2014, and $303 million in 2015. Based on the estimated effects of the benefit reductions and higher taxes on employers, as described above, it is estimated that the ending balance in the URF would increase to $15 million in calendar year 2014 and $382 million in 2015 under the motion. The provisions under the motion are not expected to affect the ending balance for 2013.

Interfund Borrowing

Under federal law, the federal government imposes a tax on employers at a rate of 6.0% for the first $7,000 per year of each covered employee's wage. Employers are eligible for a credit on state UI taxes paid of up to 5.4%. The federal unemployment tax administration (FUTA) credit is reduced by 0.3% if the state's URF ends the preceding three years with a negative balance. Wisconsin ended 2009 with a negative balance in the URF, and the fund has maintained a negative balance for each year since. As a result, the FUTA credit has been reduced by 0.3%, compared to the prior year, for each calendar year beginning with calendar year 2011. The FUTA credit was reduced by 0.3% for 2011, 0.6% for 2012, and is expected to be reduced by 0.9% for 2013. The additional taxes paid by employers to the federal government are due in the January following the year in which the reduction occurred (for example, the additional taxes associated with the 2012 reduced credit were due in January, 2013). All proceeds paid by employers as a result of the FUTA credit reduction are deposited into the state's URF to increase the fund's solvency.

The reduction in the FUTA credit applies if a state has a negative URF balance on November 9 of each calendar year. For example, if the fund were to have a negative balance on November 9, 2013, the FUTA credit would be 4.5% (rather than the maximum credit of 5.4%) for that year and increased FUTA taxes would be due and payable in January, 2014. If the fund remained in deficit on November 9, 2014, the FUTA tax credit would be reduced to 4.2% for calendar year 2014, and DWD estimates that (if this were to occur) an additional $191 million in UI taxes could be paid by employers and deposited into the URF in January, 2015. Under DWD's current forecast, the state is not expected to have a negative balance in the reserve fund on November 9, 2014, and employers are not expected to pay the additional $191 million in federal UI taxes.

The motion would permit the DWD Secretary to request a transfer to the URF of up to $50 million in 2014 from the DOA Secretary if the DWD Secretary determines that the monies

would be needed for the URF to have a positive balance on November 9, 2014, to ensure solvency in the fund on that date and reduce employer taxes by $191 million that would otherwise be payable in January, 2015. The transfer could be made from the general fund, other segregated funds, or the budget stabilization fund. Under federal law, a loan to the URF cannot be repaid until the fund has sufficient contributions to maintain a positive balance. If the forecast worsened and the state utilized the interfund borrowing provisions to ensure a favorable tax experience for Wisconsin employers, taxes paid by Wisconsin employers would be reduced by $191 million as compared to current law; however, the URF balance would be lower by $191 million because employers would not have paid those taxes into the fund. Under the current forecast for the URF, it is expected that any transfer through interfund borrowing would be repaid in the same fiscal year in which the funds were transferred (2014-15), which would result in no state fiscal effect for 2014-15, but that cannot be guaranteed. DWD reports that federal law requires that the principal on a loan from any source that is used to pay UI benefits may be repaid from URF monies if the following conditions are met:

a. The loan is made for the purpose of paying UI benefits under state law, and the proceeds of the loan have either actually been used for the payment of UI benefits or have been deposited in the state's URF account from which they may be withdrawn only for the payment of UI benefits.

b. The money used for the payment of UI benefits is explicitly characterized as a loan for the payment of UI benefits at the time it is dedicated to the payment of UI.

c. The loan and repayment are consistent with the state law as interpreted by competent state authority.

As a result, DWD would need to consult with the Department of Labor to ensure that Wisconsin conforms to federal requirements associated with the interfund borrowing provisions. If such a transfer were to be undertaken and the fund did not become solvent before July 1, 2015, available state revenues could be reduced by up to $50,000,000 in 2014-15. However, as noted, the current forecast does not anticipate that this provision would be needed and the interfund borrowing provisions are not expected to have a state fiscal impact.

The funding and revenue amounts shown below reflect the use of GPR funding to make the last two required interest payments due to the federal government on advances to the URF, and the reduced state income tax revenues from decreasing UI benefits. Revenue from UI employer contributions (taxes) and expenditures from the URF for UI benefits are not included in the state budget, so the estimated impacts on these revenues and expenditures are not shown.

[Change to Bill: $26,000,000 GPR, -$26,000,000 SEG, and -$1,900,000 GPR-Tax]

ATTACHMENT I

Contribution and Solvency Rate Schedules · Current Law Rates

	SCHEDULE A			*SCHEDULE B*			*SCHEDULE C*			*SCHEDULE D*		
	Basic Rate	Solvency Rate		Basic Rate	Solvency Rate		Basic Rate	Solvency Rate		Basic Rate	Solvency Rate	
Reserve Percent	All Employers	Employers Under $500,000	Employers Over $500,000	All Employers	Employers Under $500,000	Employers Over $500,000	All Employers	Employers Under $500,000	Employers Over $500,000	All Employers	Employers Under $500,000	Employers Over $500,000
15.0% or more	0.07%	0.20%	0.63%	0.00%	0.05%	0.10%	0.00%	0.00%	0.05%	0.00%	0.00%	0.05%
10.0% to 15.0%	0.07	0.20	0.63	0.00	0.25	0.30	0.00	0.22	0.25	0.00	0.12	0.15
9.5% to 10.0%	0.25	0.20	0.80	0.15	0.25	0.35	0.15	0.22	0.25	0.05	0.22	0.25
9.0% to 9.5%	0.33	0.20	0.90	0.25	0.25	0.40	0.25	0.22	0.25	0.15	0.22	0.25
8.5% to 9.0%	0.52	0.40	0.90	0.45	0.40	0.50	0.45	0.30	0.35	0.35	0.30	0.35
8.0% to 8.5%	0.59	0.50	1.00	0.60	0.40	0.55	0.60	0.30	0.40	0.50	0.30	0.40
7.5% to 8.0%	0.66	0.60	1.10	0.70	0.40	0.60	0.70	0.30	0.45	0.60	0.30	0.45
7.0% to 7.5%	0.77	0.70	1.20	0.85	0.45	0.65	0.85	0.35	0.50	0.75	0.35	0.50
6.5% to 7.0%	1.03	0.80	1.20	1.10	0.50	0.70	1.10	0.35	0.55	1.00	0.35	0.55
6.0% to 6.5%	1.28	0.90	1.30	1.40	0.55	0.75	1.40	0.40	0.60	1.30	0.40	0.60
5.5% to 6.0%	1.62	1.00	1.40	1.75	0.65	0.80	1.75	0.45	0.65	1.65	0.45	0.65
5.0% to 5.5%	1.96	1.10	1.50	2.10	0.70	0.85	2.10	0.50	0.70	2.00	0.50	0.70
4.5% to 5.0%	2.30	1.10	1.60	2.45	0.75	0.90	2.45	0.55	0.75	2.35	0.55	0.75
4.0% to 4.5%	2.64	1.20	1.70	2.80	0.80	0.90	2.80	0.60	0.75	2.70	0.60	0.75
3.5% to 4.0%	2.98	1.30	1.80	3.25	0.85	0.90	3.25	0.60	0.75	3.15	0.60	0.75
0.0% to 3.5%	3.37	1.40	1.90	3.80	0.85	0.90	3.80	0.60	0.75	3.70	0.60	0.75
0.0% to -1.0%	5.30	1.30	1.30	5.30	1.30	1.30	5.30	1.10	1.10	5.30	1.10	1.10
-1.0% to -2.0%	5.80	1.30	1.30	5.80	1.30	1.30	5.80	1.10	1.10	5.80	1.10	1.10
-2.0% to -3.0%	6.30	1.30	1.30	6.30	1.30	1.30	6.30	1.10	1.10	6.30	1.10	1.10
-3.0% to -4.0%	6.80	1.30	1.30	6.80	1.30	1.30	6.80	1.10	1.10	6.80	1.10	1.10
-4.0% to -5.0%	7.30	1.30	1.30	7.30	1.30	1.30	7.30	1.20	1.20	7.30	1.20	1.20
-5.0% to -6.0%	7.80	1.30	1.30	7.80	1.30	1.30	7.80	1.25	1.25	7.80	1.25	1.25
-6.0% or less	8.50	1.30	1.30	8.50	1.30	1.30	8.50	1.25	1.35	8.50	1.25	1.25

Schedule A is effective when the Unemployment Reserve Fund balance is less than $300 million.
Schedule B is effective when the Unemployment Reserve Fund balance is $300 million to $900 million.
Schedule C is effective when the Unemployment Reserve Fund balance is $900 million to $1.2 billion.
Schedule D is effective when the Unemployment Reserve Fund balance is in excess of $1.2 billion.

ATTACHMENT II

Contribution and Solvency Rate Schedules – Proposed Rates Under the Motion

	SCHEDULE A			*SCHEDULE B*			*SCHEDULE C*			*SCHEDULE D*		
	Basic Rate	Solvency Rate		Basic Rate	Solvency Rate		Basic Rate	Solvency Rate		Basic Rate	Solvency Rate	
Reserve Percent	All Employers	Employers Under $500,000	Employers Over $500,000	All Employers	Employers Under $500,000	Employers Over $500,000	All Employers	Employers Under $500,000	Employers Over $500,000	All Employers	Employers Under $500,000	Employers Over $500,000
15.0% or more	0.07%	0.20%	0.63%	0.00%	0.05%	0.10%	0.00%	0.00%	0.05%	0.00%	0.00%	0.05%
10.0% to 15.0%	0.07	0.20	0.63	0.00	0.25	0.30	0.00	0.22	0.25	0.00	0.12	0.15
9.5% to 10.0%	0.25	0.20	0.80	0.15	0.25	0.35	0.15	0.22	0.25	0.05	0.22	0.25
9.0% to 9.5%	0.33	0.20	0.90	0.25	0.25	0.40	0.25	0.22	0.25	0.15	0.22	0.25
8.5% to 9.0%	0.52	0.40	0.90	0.45	0.40	0.50	0.45	0.30	0.35	0.35	0.30	0.35
8.0% to 8.5%	0.59	0.50	1.00	0.60	0.40	0.55	0.60	0.30	0.40	0.50	0.30	0.40
7.5% to 8.0%	0.66	0.60	1.10	0.70	0.40	0.60	0.70	0.30	0.45	0.60	0.30	0.45
7.0% to 7.5%	0.77	0.70	1.20	0.85	0.45	0.65	0.85	0.35	0.50	0.75	0.35	0.50
6.5% to 7.0%	1.03	0.80	1.20	1.10	0.50	0.70	1.10	0.35	0.55	1.00	0.35	0.55
6.0% to 6.5%	1.28	0.90	1.30	1.40	0.55	0.75	1.40	0.40	0.60	1.30	0.40	0.60
5.5% to 6.0%	1.62	1.00	1.40	1.75	0.65	0.80	1.75	0.45	0.65	1.65	0.45	0.65
5.0% to 5.5%	1.96	1.10	1.50	2.10	0.70	0.85	2.10	0.50	0.70	2.00	0.50	0.70
4.5% to 5.0%	2.30	1.10	1.60	2.45	0.75	0.90	2.45	0.55	0.75	2.35	0.55	0.75
4.0% to 4.5%	2.64	1.20	1.70	2.80	0.80	0.90	2.80	0.60	0.75	2.70	0.60	0.75
3.5% to 4.0%	2.98	1.30	1.80	3.25	0.85	0.90	3.25	0.60	0.75	3.15	0.60	0.75
0.0% to 3.5%	3.37	1.40	1.90	3.80	0.85	0.90	3.80	0.60	0.75	3.70	0.60	0.75
0.0% to -1.0%	5.30	1.30	1.30	5.30	1.30	1.30	5.30	1.10	1.10	5.30	1.10	1.10
-1.0% to -2.0%	5.80	1.30	1.30	5.80	1.30	1.30	5.80	1.10	1.10	5.80	1.10	1.10
-2.0% to -3.0%	6.30	1.30	1.30	6.30	1.30	1.30	6.30	1.10	1.10	6.30	1.10	1.10
-3.0% to -4.0%	6.80	1.30	1.30	6.80	1.30	1.30	6.80	1.10	1.10	6.80	1.10	1.10
-4.0% to -5.0%	7.30	1.30	1.30	7.30	1.30	1.30	7.30	1.20	1.20	7.30	1.20	1.20
-5.0% to -6.0%	7.80	1.30	1.30	7.80	1.30	1.30	7.80	1.25	1.25	7.80	1.25	1.25
-6.0% to -7.0%	8.50	1.30	1.30	8.50	1.30	1.30	8.50	1.30	1.30	8.50	1.25	1.25
-7.0% to -8.0%	9.25	1.30	1.30	9.25	1.30	1.30	9.25	1.30	1.30	9.25	1.30	1.30
-8.0% to -9.0%	10.00	1.30	1.30	10.00	1.30	1.30	10.00	1.30	1.30	10.00	1.30	1.30
-9.0% or less	10.70	1.30	1.30	10.70	1.30	1.30	10.70	1.30	1.30	10.70	1.30	1.30

Schedule A is effective when the Unemployment Reserve Fund balance is less than $300 million.
Schedule B is effective when the Unemployment Reserve Fund balance is $300 million to $900 million.
Schedule C is effective when the Unemployment Reserve Fund balance is $900 million to $1.2 billion.
Schedule D is effective when the Unemployment Reserve Fund balance is in excess of $1.2 billion.

Motion #506