

D15-14

Transfer of Special Assessment for Interest Funds to Program Integrity Fund

Date: December 17, 2015
Proposed by: DWD
Prepared by: Andy Rubsam

ANALYSIS OF PROPOSED UI LAW CHANGE

Transfer of Special Assessment for Interest Funds to Program Integrity Fund

1. Description of Proposed Change

Employers paid special assessments for the interest due on loans from the federal government to Wisconsin's unemployment insurance trust fund when the fund was negative during the most recent recession. The assessments are known as special assessments for interest ("SAFIs"). Current law provides that, if the federal loans are repaid and future borrowing is unlikely, the department shall transfer any excess SAFI funds to the balancing account. The department proposes a law change that would also permit the department to transfer any excess SAFI funds to the unemployment program integrity fund.

2. Proposed Statutory Change

Please see attached.

3. Effects of Proposed Change

- a. Policy. This proposal provides the department with additional funding for program integrity activities, which should have a positive effect on the trust fund.
- b. Administrative. The department expects a minimal administrative effect for this proposal.
- c. Fiscal. A fiscal estimate is not yet available.

4. State and Federal Issues

There are no known federal conformity issues with this proposal. The Department recommends that any changes to the unemployment insurance law be sent to the U.S. Department of Labor for conformity review.

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5. Proposed Effective/Applicability Date

This proposal would be effective with other changes made as part of the agreed bill cycle.



State of Wisconsin
2015 - 2016 LEGISLATURE

LRB-4027/P1
MED:cjs

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

1 **AN ACT** *to renumber and amend* 108.19 (1s) (a); *to amend* 108.19 (1m); and
2 *to create* 108.19 (1s) (a) 2. of the statutes; **relating to:** transfer of excess
3 moneys in the unemployment interest payment fund.

Analysis by the Legislative Reference Bureau

Transfer of moneys from the unemployment interest payment fund

Under current law, an employer must pay an assessment to the state unemployment interest payment fund at a rate established by DWD that is sufficient to pay interest due on advances from the federal government from the Federal Unemployment Account (FUA) in the federal Unemployment Trust Fund. Such advances are made when the state's Unemployment Reserve Fund is depleted. If the assessments collected are in excess of the amounts needed to pay interest due, DWD must use any excess to pay interest owed in subsequent years on advances from the FUA. However, if DWD determines that additional interest obligations are unlikely, DWD must transfer the excess to the unemployment reserve fund's balancing account (pooled account financed by all employers who pay contributions that is used to pay benefits that are not chargeable to any employer's account).

This bill instead provides that DWD must transfer the excess in the state unemployment interest payment fund to the balancing account, the unemployment program integrity fund, or both in amounts determined by DWD.

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

1 **SECTION 1.** 108.19 (1m) of the statutes, as affected by 2013 Wisconsin Act 20,
2 section 1720q, is amended to read:

3 **108.19 (1m)** Each employer subject to this chapter as of the date a rate is
4 established under this subsection shall pay an assessment to the unemployment
5 interest payment fund at a rate established by the department sufficient to pay
6 interest due on advances from the federal unemployment account under Title XII of
7 the social security act (42 USC 1321 to 1324). The rate established by the department
8 for employers who finance benefits under s. 108.15 (2), 108.151 (2), or 108.152 (1)
9 shall be ~~75%~~ 75 percent of the rate established for other employers. The amount of
10 any employer's assessment shall be the product of the rate established for that
11 employer multiplied by the employer's payroll of the previous calendar year as taken
12 from quarterly employment and wage reports filed by the employer under s. 108.205
13 (1) or, in the absence of the filing of such reports, estimates made by the department.
14 Each assessment made under this subsection is due on the 30th day commencing
15 after the date on which notice of the assessment is mailed by the department. If the
16 amounts collected from employers under this subsection are in excess of the amounts
17 needed to pay interest due, the department shall use any excess to pay interest owed
18 in subsequent years on advances from the federal unemployment account. If the
19 department determines that additional interest obligations are unlikely, the
20 department shall transfer the excess to the balancing account of the fund, the
21 unemployment program integrity fund, or both in amounts determined by the
22 department.

23 **SECTION 2.** 108.19 (1s) (a) of the statutes, as affected by 2015 Wisconsin Act 55,
24 is renumbered 108.19 (1s) (a) (intro.) and amended to read:

