



Unemployment Insurance Advisory Council

Council Members: Please bring your calendars to schedule future meetings.
<https://dwd.wisconsin.gov/uibola/uiac/>

MEETING

Date: September 19, 2019
Time: 10:00 a.m. – 4:00 p.m.
Place: Department of Workforce Development
201 E. Washington Avenue
Madison, Wisconsin
GEF-1, Room F305

AGENDA ITEMS AND TENTATIVE SCHEDULE:

1. Call to Order and Introductions
2. Approval of Minutes of the July 18, 2019 Council Meeting
3. Department Update
4. Report on the Unemployment Insurance Reserve Fund
5. Department Proposals for Agreed Bill
6. Labor and Management Proposals for Agreed Bill
7. Agreed Bill Timeline
8. Future Meeting Dates
9. Adjourn

Notice:

- ❖ The Council may not address all agenda items or follow the agenda order.
- ❖ The Council may take up action items at a time other than that listed.
- ❖ The Council may discuss other items, including those on any attached lists.

- ❖ The Council members may attend the meeting by telephone.
- ❖ The employee or employer members of the Council may convene in closed session at any time during the meeting to deliberate any matter for potential action or items posted in this agenda, under sec. 19.85(1)(ee), Stats. The employee or employer members of the Council may thereafter reconvene again in open session after completion of the closed session.
- ❖ This location is accessible to persons with disabilities. If you have a disability and need assistance (such as an interpreter or information in an alternate format), please contact Robin Gallagher, Unemployment Insurance Division, at 608-267-1405 or dial 7-1-1 for Wisconsin Relay Service.
- ❖ Today's meeting materials will be available online at 10:00 a.m. at <https://dwd.wisconsin.gov/uibola/uiac/meetings.htm>

UNEMPLOYMENT INSURANCE ADVISORY COUNCIL

Meeting Minutes

Offices of the State of Wisconsin Department of Workforce Development
201 E. Washington Avenue, GEF 1, Room F305
Madison, WI

July 18, 2019

The meeting was preceded by public notice as required under Wis. Stat. § 19.84.

Members Present: Janell Knutson (Chair), Scott Manley, Mike Gotzler, John Mielke, Di Ann Fechter, Sally Feistel, Dennis Delie, Shane Griesbach, and Terry Hayden.

Department Staff Present: Andrew Rubsam, Jim Moe, Ryan Farrell, Jennifer Wakerhauser (Deputy Chief Legal Counsel), Tom McHugh, Pam James, Jill Moksouphanh, Robert Usarek, Emily Savard, Maureen McShane and Robin Gallagher.

Members of the Public Present: Earl Gustafson (Wis. Paper Council), Brian Dake (Wis. Independent Businesses, Inc.), Chris Reader (Wis. Manufacturers & Commerce), Mike Duchek (Legislative Reference Bureau), Mary Beth George (Office of Representative Christine Sinicki), BJ Dernbach (Office of Representative Warren Petryk), Tyler Longsine (Office of Representative James Edming), Joe Handrick (Office of Speaker Robin Vos), Emily Conklin (Office of Representative Katrina Shankland), Anita Krasno (General Counsel, Labor & Industry Review Commission), and Victor Forberger (Wisconsin UI Clinic).

1. Call to Order and Introduction

Ms. Knutson called the Unemployment Insurance Advisory Council meeting to order at 10:03 a.m. under Wisconsin's Open Meetings law. Council members introduced themselves and Ms. Knutson recognized Anita Krasno, General Counsel of the Labor & Industry Review Commission, Mike Duchek from the Legislative Reference Bureau, Joe Handrick from the Office of Speaker Vos, Emily Conklin from the Office of Representative Shankland, BJ Dernbach from the Office of Representative Petryk, and Tyler Longsine from the Office of Representative James Edming.

Ms. Knutson reported that DWD UI Administrator Mark Reihl is at a conference out of state.

2. Approval of Minutes of the June 20, 2019 Meeting

Motion by Ms. Feistel, second by Mr. Manley to approve the June 20, 2019 meeting minutes without correction. The motion carried unanimously.

3. Department Update

Ms. Knutson reported the program integrity assessment notice was published on July 15, 2019, effective for January 1, 2020.

4. UI Reserve Fund Update

Ms. Knutson reported the Unemployment Insurance Reserve Fund balance as of June 30, 2019 was \$1.86 billion. The UI Reserve Fund Highlights for June is included in the Council materials.

5. Correspondence

Correspondence was received from Wayne Griesbach, Executive Director of Family Service Association in Sheboygan, WI expressing concern about a quit exception statute and the effect on reimbursable employers. His letter, along with the department's response, is included in the Council materials.

6. Department Proposals for Agreed Bill

Ms. Knutson discussed proposal D19-08, regarding "Appropriation Revisions and Technical Corrections." The department conferred with LRB in its original proposal, deciding to split the draft into two separate preliminary drafts.

Mr. Rubsam noted that the original proposal for D19-08 in March was a forty-page LRB draft. Summary notes are contained in the Council materials. At the June 20 Council meeting, the Council discussed proposals D19-08 and D19-09.

Proposal D19-09: To create a special fund and insure the non-lapsibility for employer payment of interest and penalties.

Proposal D19-08: To correct or modify references to the administrative account for particular UI program funds.

LRB Draft 3683 provides clarifications and resolves federal law cross-references. There is nothing new added to the proposal language. The included chart provides rationale for the changes. For example, cross-references were added to the specific U.S. Code section instead of a general reference to the Social Security Act. This was done with the intention of providing direct citations to the relevant federal law. Incorrect cites and typos were also corrected. The changes seek to add clarification and increase ease-of-reference for those looking to Chapter 108 for support in federal law. Online statute hyperlinks will now allow for cross-referencing to federal law.

LRB Draft 3684 deals with appropriations and the administrative account. For example, Section 5 repeals printing costs for the employer handbook, which is now mainly provided to individuals online. Sections 8-32 ensures that the unemployment appropriations are drafted consistent with current State budget practices and removes ambiguity regarding the appropriate appropriation applicable to certain moneys. Also, a provision of statutory language was amended for the first

time since 1943 regarding use of contributions for administrative purposes. If federal law is changed to permit this purpose, the correct language would allow this to occur.

Mr. Rubsam asked if the UIAC wanted to review each item individually.

Mr. Manley said it would be best for Council to review the proposals in caucus.

7. Labor and Management Proposals for Agreed Bill & Research Requests

Ms. Knutson noted that Labor and Management exchanged policy proposals at the June 20, 2019 Council meeting. She noted there was a request by the Council for research on specific proposals. The department provided high-level fiscal estimates and overviews of the respective proposals provided in the Council materials.

Ms. Knutson asked if the Council wanted to review each part of the overview individually or if the Council would rather review in caucus. Mr. Hayden said he had no immediate questions and requested additional time to digest before raising questions.

Mr. Manley asked for a point of clarification, with regard to estimates for labor proposals contained in Governor Tony Evers' budget. The benefit impact appeared substantially lower than he had seen before. Mr. Manley asked whether the estimates were based on current claim activity.

Ms. Knutson replied that yes, the estimates are based on current claim levels. A future increase in claims would indeed affect estimates. Information was provided on the effect of different claim levels at the May 22, 2019 UIAC meeting.

Mr. Manley asked if the state is currently at historically-low UI claim levels.

Ms. Knutson confirmed that yes, Wisconsin currently has historically-low UI claim levels.

9. Agreed Bill Timelines

Ms. Knutson asked the Council to consider another meeting to be scheduled in August 2019. She noted that a chart was provided in the Council materials regarding the agreed bill timeline.

10. Future Meeting Dates

Ms. Knutson reminded Council members that the next meeting is scheduled for August 15, 2019. She asked if there were any remaining questions.

Mr. Mielke will not be present at next UIAC meeting on August 15, Mr. Gotzler cannot attend either. Ms. Knutson indicated a poll will be conducted of the Council members to confirm a quorum for the August 15 meeting.

11. Caucus and Adjourn

Motion by Mr. Hayden, second by Mr. Gotzler to convene in closed caucus under Wis. Stat. § 19.85(1)(ee) to deliberate items on the agenda. The motion carried unanimously and the UIAC convened in caucus at 10:27 a.m.

At 10:59 a.m., the Council reconvened the public meeting and reported that the Council was still discussing the proposals and certain members needed to leave. Motion by Mr. Hayden, second by Mr. Manley to reconvene in closed caucus and adjourn from caucus. The motion carried unanimously and the UIAC adjourned to caucus.

UI Reserve Fund Highlights

September 19, 2019

- Benefit payments through August 2019 declined by \$10.4 million or 3.7% when compared to benefits paid through August 2018.

| Benefits Paid | 2019 YTD* <i>(in millions)</i> | 2018 YTD* <i>(in millions)</i> | Change <i>(in millions)</i> | Change <i>(in percent)</i> |
|-----------------------|--|--|---------------------------------------|--------------------------------------|
| Total Regular UI Paid | \$274.1 | \$284.5 | (\$10.4) | (3.7%) |

- Tax receipts through August 2019 declined by \$32.9 million or 6.5% when compared to taxes paid through August 2018. Since both tax years were rated in Schedule D, any change reflects the improvement of individual employers' tax rates.

| Tax Receipts | 2019 YTD* <i>(in millions)</i> | 2018 YTD* <i>(in millions)</i> | Change <i>(in millions)</i> | Change <i>(in percent)</i> |
|---------------------|--|--|---------------------------------------|--------------------------------------|
| Total Tax Receipts | \$469.7 | \$502.6 | (\$32.9) | (6.5%) |

- The August 2019 Trust Fund ending balance was nearly \$2 billion, an increase of 14.0% when compared to the same time last year. The June 30 balance was above the Schedule D trigger. As a result, the lowest tax rate schedule will continue next year. An Average High Cost Multiple (AHCM) of 1.0 would require a \$2 billion Trust Fund balance.

| UI Trust Fund Balance | August 2019 <i>(in millions)</i> | August 2018 <i>(in millions)</i> | Change <i>(in millions)</i> | Change <i>(in percent)</i> |
|------------------------------|--|--|---------------------------------------|--------------------------------------|
| Cash Analysis Statement | \$1,950.2 | \$1,711.2 | \$239.0 | 14.0% |

- Interest earned on the Trust Fund is received quarterly. Interest for the first two quarters of 2019 was \$21 million compared to \$16.9 million for the same period last year. The U.S. Treasury annualized interest rate for this quarter is 2.4%. The Trust Fund is currently earning about \$128,000 in daily interest.

| UI Trust Fund Interest | 2019 YTD* <i>(in millions)</i> | 2018 YTD* <i>(in millions)</i> | Change <i>(in millions)</i> | Change <i>(in percent)</i> |
|-------------------------------|--|--|---------------------------------------|--------------------------------------|
| Total Interest Earned | \$21.0 | \$16.9 | \$4.1 | 24.3% |

*All calendar year-to-date (YTD) numbers are based on the August 31, 2019 Financial Statements.

FINANCIAL STATEMENTS

For the Month Ended August 31, 2019



Division of Unemployment Insurance

Bureau of Tax and Accounting

DEPARTMENT OF WORKFORCE DEVELOPMENT
U.I. TREASURER'S REPORT
BALANCE SHEET
FOR THE MONTH ENDED August 31, 2019

| | <u>CURRENT YEAR</u> | <u>PRIOR YEAR</u> |
|--|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | |
| CASH: | | |
| U.I. CONTRIBUTION ACCOUNT | 1,173,852.62 | 500,402.43 |
| U.I. BENEFIT ACCOUNTS | 40,661.51 | 49,795.06 |
| U.I. TRUST FUND ACCOUNTS (1) (2) | <u>1,961,630,347.64</u> | <u>1,719,381,611.58</u> |
| TOTAL CASH | 1,962,844,861.77 | 1,719,931,809.07 |
| ACCOUNTS RECEIVABLE: | | |
| BENEFIT OVERPAYMENT RECEIVABLES | 70,825,141.36 | 77,567,859.63 |
| LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS (3) | <u>(33,299,180.83)</u> | <u>(35,953,845.10)</u> |
| NET BENEFIT OVERPAYMENT RECEIVABLES | 37,525,960.53 | 41,614,014.53 |
| TAXABLE EMPLOYER RFB & SOLVENCY RECEIV (4) (5) | 28,609,252.15 | 31,050,110.75 |
| LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS (3) | <u>(15,782,719.70)</u> | <u>(18,972,971.63)</u> |
| NET TAXABLE EMPLOYER RFB & SOLVENCY RECEIV | 12,826,532.45 | 12,077,139.12 |
| OTHER EMPLOYER RECEIVABLES | 22,477,625.83 | 23,158,244.89 |
| LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS | <u>(7,998,911.47)</u> | <u>(8,938,390.26)</u> |
| NET OTHER EMPLOYER RECEIVABLES | 14,478,714.36 | 14,219,854.63 |
| TOTAL ACCOUNTS RECEIVABLE | <u>64,831,207.34</u> | <u>67,911,008.28</u> |
| TOTAL ASSETS | <u><u>2,027,676,069.11</u></u> | <u><u>1,787,842,817.35</u></u> |
| <u>LIABILITIES AND EQUITY</u> | | |
| LIABILITIES: | | |
| CONTINGENT LIABILITIES (6) | 27,797,673.80 | 29,410,701.14 |
| OTHER LIABILITIES | 13,376,400.33 | 9,953,734.07 |
| FEDERAL BENEFIT PROGRAMS | 178,279.22 | 252,372.01 |
| CHILD SUPPORT HOLDING ACCOUNT | 6,473.00 | 8,707.00 |
| FEDERAL WITHHOLDING TAXES DUE | 69,488.00 | 69,890.00 |
| STATE WITHHOLDING TAXES DUE | 1,107,417.65 | 1,065,708.23 |
| DUE TO OTHER GOVERNMENTS (7) | <u>513,424.38</u> | <u>443,916.49</u> |
| TOTAL LIABILITIES | 43,049,156.38 | 41,205,028.94 |
| EQUITY: | | |
| RESERVE FUND BALANCE | 2,442,361,340.79 | 2,306,398,166.56 |
| BALANCING ACCOUNT | <u>(457,734,428.06)</u> | <u>(559,760,378.15)</u> |
| TOTAL EQUITY | <u>1,984,626,912.73</u> | <u>1,746,637,788.41</u> |
| TOTAL LIABILITIES AND EQUITY | <u><u>2,027,676,069.11</u></u> | <u><u>1,787,842,817.35</u></u> |

1. \$1,891,913 of this balance is for administration purposes and is not available to pay benefits.

2. \$2,128,194 of this balance is the remaining amount set aside for charging of benefits financed by Reimbursable Employers in cases of Identity Theft.

3. The allowance for uncollectible benefit overpayments is 50.3%. The allowance for uncollectible delinquent employer taxes is 42.5%. This is based on the historical collectibility of our receivables. This method of recognizing receivable balances is in accordance with generally accepted accounting principles.

4. The remaining tax due at the end of the current month for employers utilizing the 1st quarter deferral plan is \$662,704. Deferrals for the prior year were \$763,325.

5. \$9,742,657, or 34.1%, of this balance is estimated.

6. \$13,603,207 of this balance is net benefit overpayments which, when collected, will be credited to a reimbursable or federal program. \$14,194,467 of this balance is net interest, penalties, SAFI, and other fees assessed to employers and penalties and other fees assessed to claimants which, when collected, will be credited to the state fund.

7. This balance includes SAFI Payable of \$5,475. The 08/31/2019 balance of the Unemployment Interest Payment Fund (DWD Fund 214) is \$12. Total Life-to-date transfers from DWD Fund 214 to the Unemployment Program Integrity Fund (DWD Fund 298) were \$9,501,460.

DEPARTMENT OF WORKFORCE DEVELOPMENT
U.I. TREASURER'S REPORT
RESERVE FUND ANALYSIS
FOR THE MONTH ENDED August 31, 2019

| | <u>CURRENT ACTIVITY</u> | <u>YTD ACTIVITY</u> | <u>PRIOR YTD</u> |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| BALANCE AT BEGINNING OF MONTH/YEAR: | | | |
| U.I. TAXABLE ACCOUNTS | 2,903,719,770.77 | 2,794,896,813.36 | 2,635,459,959.45 |
| BALANCING ACCOUNT | <u>(901,359,982.26)</u> | <u>(1,030,187,761.19)</u> | <u>(1,125,485,495.65)</u> |
| TOTAL BALANCE | 2,002,359,788.51 | 1,764,709,052.17 | 1,509,974,463.80 |
| <u>INCREASES:</u> | | | |
| TAX RECEIPTS/RFB PAID | 2,299,746.07 | 338,259,814.40 | 367,159,163.32 |
| ACCRUED REVENUES | 1,075,907.07 | (626,932.78) | (1,017,152.01) |
| SOLVENCY PAID | 629,197.14 | 131,472,684.93 | 135,472,369.61 |
| FORFEITURES | 602.00 | 26,989.00 | 192,395.16 |
| BENEFIT CONCEALMENT INCOME | 36,455.71 | 491,028.02 | 577,352.20 |
| INTEREST EARNED ON TRUST FUND | 0.00 | 20,995,429.94 | 16,930,813.76 |
| FUTA TAX CREDITS | 1,665.62 | 17,373.78 | 28,468.22 |
| OTHER CHANGES | <u>9,471.47</u> | <u>294,000.57</u> | <u>319,345.76</u> |
| TOTAL INCREASES | 4,053,045.08 | 490,930,387.86 | 519,662,756.02 |
| <u>DECREASES:</u> | | | |
| TAXABLE EMPLOYER DISBURSEMENTS | 17,935,972.62 | 229,745,799.21 | 240,228,764.83 |
| QUIT NONCHARGE BENEFITS | 2,697,565.05 | 33,120,948.02 | 33,127,007.34 |
| OTHER DECREASES | 194,286.89 | (2,380,010.49) | (809,394.48) |
| OTHER NONCHARGE BENEFITS | <u>958,096.30</u> | <u>10,525,790.56</u> | <u>10,453,053.72</u> |
| TOTAL DECREASES | 21,785,920.86 | 271,012,527.30 | 282,999,431.41 |
| BALANCE AT END OF MONTH/YEAR: | | | |
| RESERVE FUND BALANCE | 2,442,361,340.79 | 2,442,361,340.79 | 2,306,398,166.56 |
| BALANCING ACCOUNT | <u>(457,734,428.06)</u> | <u>(457,734,428.06)</u> | <u>(559,760,378.15)</u> |
| TOTAL BALANCE (8) (9) (10) | <u><u>1,984,626,912.73</u></u> | <u><u>1,984,626,912.73</u></u> | <u><u>1,746,637,788.41</u></u> |

8. This balance differs from the cash balance related to taxable employers of \$1,950,208,590 because of non-cash accrual items.

9. \$1,891,913 of this balance is set up in the Trust Fund in two subaccounts to be used for administration purposes and is not available to pay benefits.

10. \$2,128,194 of this balance is the remaining amount set aside for charging of benefits financed by Reimbursable Employers in cases of Identity Theft.

**DEPARTMENT OF WORKFORCE DEVELOPMENT
U.I. TREASURER'S REPORT
RECEIPTS AND DISBURSEMENTS STATEMENT
FOR THE MONTH ENDED 08/31/19**

| RECEIPTS | -CURRENT ACTIVITY-- | --YEAR TO DATE--- | PRIOR YEAR TO DATE |
|---|----------------------------|--------------------------|---------------------------|
| TAX RECEIPTS/RFB | \$2,299,746.07 | \$338,259,814.40 | \$367,159,163.32 |
| SOLVENCY | 629,197.14 | 131,472,684.93 | 135,472,369.61 |
| ADMINISTRATIVE FEE | 77.61 | 623.65 | 861.22 |
| ADMINISTRATIVE FEE - PROGRAM INTEGRITY | 12,950.60 | 2,921,452.27 | 2,865,861.07 |
| UNUSED CREDITS | 232,781.40 | 3,861,588.97 | 3,883,627.06 |
| GOVERNMENTAL UNITS | 812,100.37 | 7,326,224.77 | 7,777,669.83 |
| NONPROFITS | 998,128.17 | 6,992,433.03 | 7,748,695.75 |
| INTERSTATE CLAIMS (CWC) | 768,749.43 | 3,490,845.48 | 2,828,513.37 |
| ERROR SUSPENSE | (22,279.15) | 2,786.78 | 2,125.08 |
| FEDERAL PROGRAMS RECEIPTS | (87,302.40) | (242,630.62) | 133,926.93 |
| OVERPAYMENT COLLECTIONS | 1,209,929.50 | 12,774,609.71 | 14,305,758.79 |
| FORFEITURES | 602.00 | 26,989.00 | 192,395.16 |
| BENEFIT CONCEALMENT INCOME | 36,455.71 | 491,028.02 | 577,352.20 |
| EMPLOYER REFUNDS | (689,277.66) | (3,362,844.64) | (4,690,066.11) |
| COURT COSTS | 30,271.46 | 322,138.01 | 361,075.21 |
| INTEREST & PENALTY | 376,010.45 | 2,540,507.79 | 2,623,543.11 |
| CARD PAYMENT SERVICE FEE | 557.30 | 2,433.44 | 0.00 |
| BENEFIT CONCEALMENT PENALTY-PROGRAM INTEGRITY | 52,628.77 | 745,848.05 | 804,433.54 |
| MISCLASSIFIED EMPLOYEE PENALTY-PROG INTEGRITY | 190.00 | 25,838.64 | 1,730.41 |
| SPECIAL ASSESSMENT FOR INTEREST | 1,061.60 | 13,634.12 | 11,881.64 |
| INTEREST EARNED ON U.I. TRUST FUND BALANCE | 0.00 | 20,995,429.94 | 16,930,813.76 |
| MISCELLANEOUS | 2,981.09 | 52,321.56 | 47,281.21 |
| TOTAL RECEIPTS | \$6,665,559.46 | \$528,713,757.30 | \$559,039,012.16 |

| DISBURSEMENTS | | | |
|--|------------------------|-------------------------|-------------------------|
| CHARGES TO TAXABLE EMPLOYERS | \$18,890,942.41 | \$240,542,311.51 | \$251,478,236.28 |
| NONPROFIT CLAIMANTS | 923,731.12 | 6,543,750.77 | 7,542,418.58 |
| GOVERNMENTAL CLAIMANTS | 762,979.70 | 6,566,922.93 | 7,077,549.27 |
| INTERSTATE CLAIMS (CWC) | 221,276.87 | 2,732,613.78 | 2,748,200.56 |
| QUITS | 2,697,565.05 | 33,120,948.02 | 33,127,007.34 |
| OTHER NON-CHARGE BENEFITS | 1,128,230.97 | 10,931,124.19 | 10,735,225.65 |
| CLOSED EMPLOYERS | (232.27) | (11,238.84) | 5,585.93 |
| FEDERAL PROGRAMS | | | |
| FEDERAL EMPLOYEES (UCFE) | 68,163.08 | 869,251.39 | 964,835.96 |
| EX-MILITARY (UCX) | 21,842.00 | 278,882.08 | 377,016.83 |
| TRADE ALLOWANCE (TRA/TRA-NAFTA) | 71,843.00 | 817,655.28 | 1,831,568.11 |
| DISASTER UNEMPLOYMENT (DUA) | 0.00 | 19,310.00 | 0.00 |
| 2003 TEMPORARY EMERGENCY UI (TEUC) | (1,015.31) | (15,760.00) | (12,779.14) |
| FEDERAL ADD'L COMPENSATION \$25 ADD-ON (FAC) | (13,256.59) | (198,857.61) | (307,886.64) |
| FEDERAL EMERGENCY UI (EUC) | (153,429.77) | (1,837,415.07) | (2,431,453.13) |
| FEDERAL EXTENDED BENEFITS (EB) | (10,070.52) | (138,142.30) | (198,209.14) |
| FEDERAL EMPLOYEES EXTENDED BEN (UCFE EB) | 0.00 | (1,331.67) | (1,697.94) |
| FEDERAL EX-MILITARY EXTENDED BEN (UCX EB) | (2,415.85) | (5,109.02) | (2,391.43) |
| INTERSTATE CLAIMS EXTENDED BENEFITS (CWC EB) | (75.29) | (994.78) | (2,986.00) |
| INTEREST & PENALTY | 279,763.67 | 2,413,007.86 | 2,555,772.35 |
| CARD PAYMENT SERVICE FEE TRANSFER | 651.45 | 1,876.14 | 0.00 |
| PROGRAM INTEGRITY | 769,884.26 | 3,700,235.22 | 3,679,898.71 |
| SPECIAL ASSESSMENT FOR INTEREST | 0.00 | 11,439.97 | 16,241.51 |
| COURT COSTS | 37,828.57 | 328,852.85 | 365,810.12 |
| ADMINISTRATIVE FEE TRANSFER | 103.66 | 641.15 | 872.94 |
| FEDERAL WITHHOLDING | (17,943.00) | 107,108.00 | (43,359.00) |
| STATE WITHHOLDING | (492,998.00) | 480,070.15 | 499,791.00 |
| STC IMPLEMENT/IMPROVE & PROMOTE/ENROLL EXP | 0.00 | 114,151.84 | 0.00 |
| FEDERAL LOAN REPAYMENTS | (1,665.62) | (17,373.78) | (28,468.22) |
| TOTAL DISBURSEMENTS | \$25,181,703.59 | \$307,353,930.06 | \$319,976,800.50 |

NET INCREASE(DECREASE) (18,516,144.13) 221,359,827.24 239,062,211.66

BALANCE AT BEGINNING OF MONTH/YEAR \$1,981,361,005.90 \$1,741,485,034.53 \$1,480,869,597.41

BALANCE AT END OF MONTH/YEAR \$1,962,844,861.77 \$1,962,844,861.77 \$1,719,931,809.07

DEPARTMENT OF WORKFORCE DEVELOPMENT
U.I. TREASURER'S REPORT
CASH ANALYSIS
FOR THE MONTH ENDED August 31, 2019

| | <u>CURRENT ACTIVITY</u> | <u>YEAR TO DATE ACTIVITY</u> | <u>PRIOR YTD ACTIVITY</u> |
|---|--------------------------------|----------------------------------|--------------------------------|
| BEGINNING U.I. CASH BALANCE | \$1,968,756,569.05 | \$1,730,835,304.79 | \$1,471,761,579.73 |
| INCREASES: | | | |
| TAX RECEIPTS/RFB PAID | 2,299,746.07 | 338,259,814.40 | 367,159,163.32 |
| U.I. PAYMENTS CREDITED TO SURPLUS | 936,530.16 | 134,353,850.37 | 139,733,128.30 |
| INTEREST EARNED ON TRUST FUND | 0.00 | 20,995,429.94 | 16,930,813.76 |
| FUTA TAX CREDITS | <u>1,665.62</u> | <u>17,373.78</u> | <u>28,468.22</u> |
| TOTAL INCREASE IN CASH | <u>3,237,941.85</u> | <u>493,626,468.49</u> | <u>523,851,573.60</u> |
| TOTAL CASH AVAILABLE | <u>1,971,994,510.90</u> | <u>2,224,461,773.28</u> | <u>1,995,613,153.33</u> |
| DECREASES: | | | |
| TAXABLE EMPLOYER DISBURSEMENTS | 17,935,972.62 | 229,745,799.21 | 240,228,764.83 |
| BENEFITS CHARGED TO SURPLUS | <u>3,849,948.24</u> | <u>44,393,232.19</u> | <u>44,232,002.02</u> |
| TOTAL BENEFITS PAID DURING PERIOD | <u>21,785,920.86</u> | <u>274,139,031.40</u> | <u>284,460,766.85</u> |
| SHORT-TIME COMPENSATION EXPENDITURES | <u>0.00</u> | <u>114,151.84</u> | <u>0.00</u> |
| ENDING U.I. CASH BALANCE (11) (12) (13) | <u><u>1,950,208,590.04</u></u> | <u><u>1,950,208,590.04</u></u> | <u><u>1,711,152,386.48</u></u> |

11. \$1,607,328 of this balance was set up in 2009 in the Trust Fund as a subaccount per the ARRA UI Modernization Provisions and is not available to pay benefits.

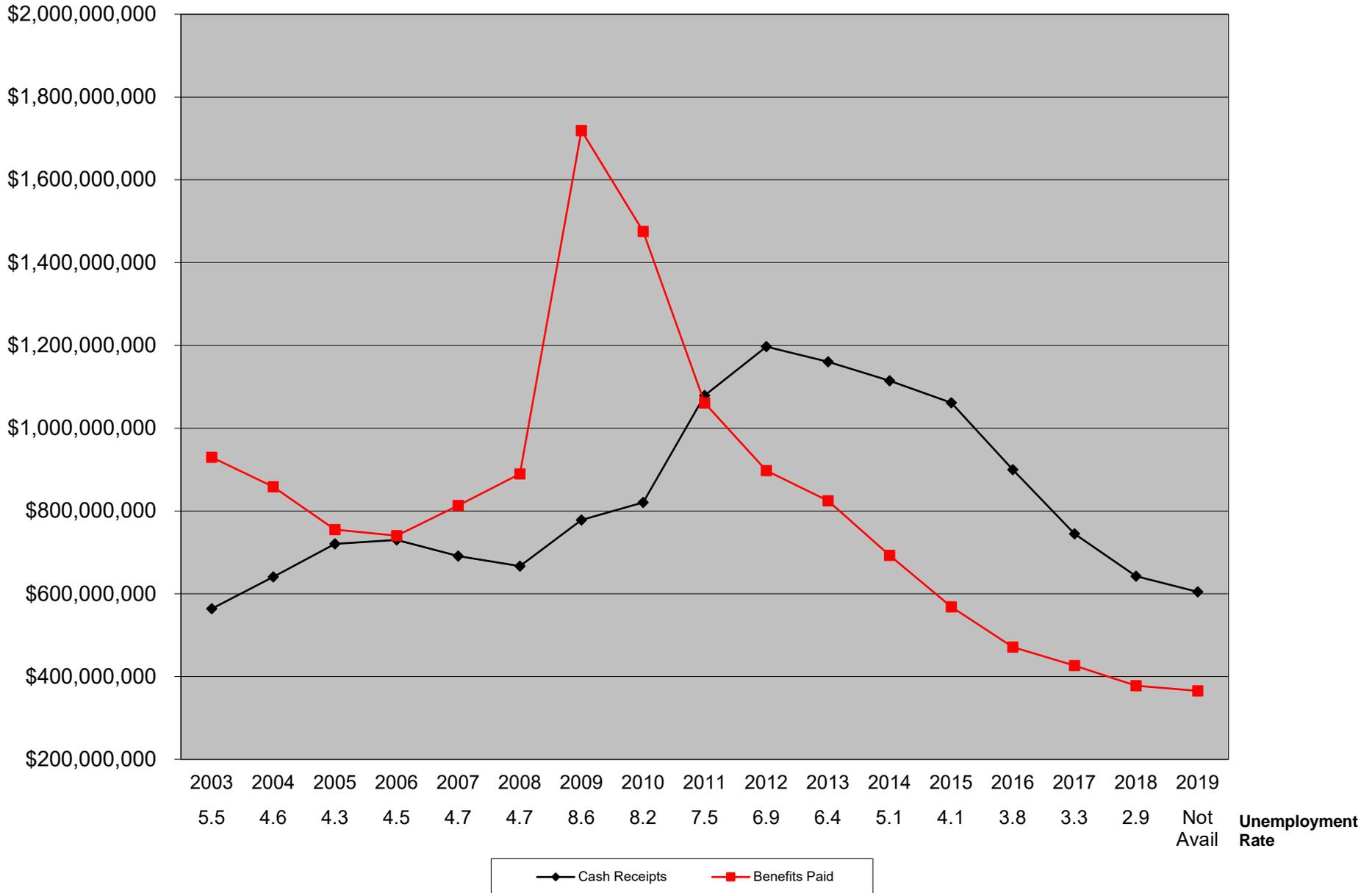
12. \$284,585 of this balance was set up in 2015 in the Trust Fund as a Short-Time Compensation (STC) subaccount to be used for Implementation and Improvement of the STC program and is not available to pay benefits.

13. \$2,128,194 of this balance is the remaining amount set aside for charging of benefits financed by Reimbursable Employers in cases of Identity Theft.

DEPARTMENT OF WORKFORCE DEVELOPMENT
U.I. TREASURER'S REPORT
BALANCING ACCT SUMMARY
FOR THE MONTH ENDED August 31, 2019

| | <u>CURRENT ACTIVITY</u> | <u>YEAR TO DATE ACTIVITY</u> | <u>PRIOR YTD ACTIVITY</u> |
|--|-----------------------------|----------------------------------|-------------------------------|
| BALANCE AT THE BEGINNING OF THE MONTH/YEAR | (\$489,163,500.17) | (\$617,016,324.88) | (\$715,103,113.34) |
| INCREASES: | | | |
| U.I. PAYMENTS CREDITED TO SURPLUS: | | | |
| SOLVENCY PAID | 629,197.14 | 131,472,684.93 | 135,472,369.61 |
| FORFEITURES | 602.00 | 26,989.00 | 192,395.16 |
| OTHER INCREASES | <u>306,731.02</u> | <u>2,854,176.44</u> | <u>4,068,363.53</u> |
| U.I. PAYMENTS CREDITED TO SURPLUS SUBTOTAL | 936,530.16 | 134,353,850.37 | 139,733,128.30 |
| TRANSFERS BETWEEN SURPLUS ACCTS | (77,498.12) | 14,004,304.07 | 7,396,925.00 |
| INTEREST EARNED ON TRUST FUND | 0.00 | 20,995,429.94 | 16,930,813.76 |
| FUTA TAX CREDITS | <u>1,665.62</u> | <u>17,373.78</u> | <u>28,468.22</u> |
| TOTAL INCREASES | 860,697.66 | 169,370,958.16 | 164,089,335.28 |
| DECREASES: | | | |
| BENEFITS CHARGED TO SURPLUS: | | | |
| QUITS | 2,697,565.05 | 33,120,948.02 | 33,127,007.34 |
| OTHER NON-CHARGE BENEFITS | 1,152,383.19 | 11,272,281.17 | 11,104,994.68 |
| MISCELLANEOUS EXPENSE | <u>0.00</u> | <u>3.00</u> | <u>0.00</u> |
| BENEFITS CHARGED TO SURPLUS SUBTOTAL | 3,849,948.24 | 44,393,232.19 | 44,232,002.02 |
| SHORT-TIME COMPENSATION EXPENDITURES | <u>0.00</u> | <u>114,151.84</u> | <u>0.00</u> |
| BALANCE AT THE END OF THE MONTH/YEAR | <u>(492,152,750.75)</u> | <u>(492,152,750.75)</u> | <u>(595,245,780.08)</u> |

Cash Activity Related to Taxable Employers with WI Unemployment Rate (for all years from September to August)



D19-22
Collection of DWD-UI Debts

Date: September 19, 2019
Proposed by: DWD
Prepared by: Bureau of Legal Affairs

ANALYSIS OF PROPOSED UI LAW CHANGE
Collection of DWD-UI Debts

1. Description of Proposed Change

Section 71.93(8)(b) requires State agencies and DOR to enter into an agreement to have DOR collect debts owed to agencies. The debts are only referred to DOR if: (1) they are 90+ days delinquent; (2) the agency is not actively negotiating payment terms with the debtor; (3) the debt is not under appeal; (4) the debtor is not making acceptable payments to the agency. Before referring a debt to DOR, the agency must give the debtor 30 days' notice of the referral. The DOR Secretary may waive the referral of certain debts.

When a debt is referred to DOR, DOR must charge the debtor a collection fee, which is added to the debt. The fee is used to pay DOR's administrative costs of collection; any excess amount of fees lapses to the general fund. DOR apparently collects this fee before applying payments to the underlying debt. The expected amount of the fee is 15% of the total debt.

If DOR were to assume collection of debts owed to the Unemployment Insurance Division, DWD estimates that it will take about 5,000 to 7,000 hours of work by information technology staff to cease DWD's automated collections actions, which would cost DWD between \$430,000 to \$602,000 in technology costs alone to refer DWD-UI debts to DOR. This sum does not include DWD collections staff time to handle the referral of debts at the beginning of the referral process or on an ongoing basis.

The assessment of the collection fee and the application of payments to the collection fee before the underlying debt raise two important issues for DWD. First, the fee will increase the total amount owed by debtors—employers who owe delinquent taxes and claimants who owe benefit overpayments—to DWD.

D19-22
Collection of DWD-UI Debts

Second, DOR's application of amounts collected to the collection fee before the underlying debt will have a negative effect on the balance of the Unemployment Reserve Fund, the Unemployment Interest Payment Fund, the Interest and Penalty appropriation, and the Unemployment Program Integrity Fund. The collection on the underlying debts will necessarily be reduced by the amount of the collection fee—15%—which will result in delayed satisfaction of debts. DWD collected about \$428 million during the period of 2011 through March 2018. If the 15% fee applied to that entire amount, DOR would have charged \$64.2 million in fees during that period.

A higher Reserve Fund balance typically results in lower contribution rates for most employers. If DWD is unable to recover delinquent contributions and benefit overpayments, which are deposited into the Trust Fund, as it currently does due to the imposition of the collection fee, the Reserve Fund balance will decrease. This could result in a change to a schedule with higher tax rates. When compared to other debts, unemployment debts are therefore unique because *the increased collection of unemployment debts directly results in reduced unemployment taxes for Wisconsin employers.*

DWD charges interest on delinquent contributions at a rate of 0.75% per month, which is 9.00% annually. DWD does not assess interest on interest, penalties, or benefit overpayments.¹ When a debt is referred to DOR for collection, it “may assess interest” on the debt as it does with taxes owed to DOR.² DOR charges 12% annual interest on unpaid taxes that are not delinquent but charges 18% annual interest on delinquent taxes.³

¹ Wis. Stat. § 108.16(10m) (DWD may not charge interest on benefit overpayments.).

² Wis. Stat. § 71.93(8)(b)5.

³ Wis. Stat. §§ 71.82(2)(a) and (b); Wis. Admin. Code §§ Tax 2.88(1) and (2).

D19-22
Collection of DWD-UI Debts

It is unclear whether the DOR 12% interest rate is charged on the interest that accrued before the debt is referred to DOR. If so, it would result in interest being charged on interest, which DWD does not currently do.

After debts are referred to DOR for collection, DOR must apply payments to debts according to a statutory priority list.⁴ Amounts owed to DOR are paid first. Then, delinquent child support is paid. Third, criminal restitution debts are satisfied. Debts referred to DOR collection are paid fourth. As discussed above, DWD expects a reduced collection rate due to the collection fee, which will likely cause an increase in employer taxes. DWD should also expect the subordinate treatment of its debts to have a similar effect on the Trust Fund and employer taxes.

The Department proposes a law change to prohibit DOR from collecting debts on behalf of the Unemployment Insurance Division. This change will ensure that employers and claimants are not assessed additional fees when repaying their debts. And, this law change will ensure that state recoveries of debts owed to the Unemployment Insurance Division continue to be maximized for the benefit of the Trust Fund. DWD has just as many, if not more, collection tools available to it as DOR. DWD should not expect to increase its debt recovery rate if it refers its debts to DOR. As discussed above, *the imposition of the collection fee will reduce DWD's recoveries.*

2. Proposed Statutory Changes

Section 71.93(8)(b)2. of the statutes is amended to read:

The department may enter into agreements described under subd. 1. with the courts, the legislature, authorities, as defined in s. 16.41 (4), and local units of government. The department shall not enter into an agreement described under subd. 1 to collect amounts owed under ch. 108.

⁴ Wis. Stat. § 71.93(3).

D19-22
Collection of DWD-UI Debts

3. Effects of Proposed Change

- a. **Policy.** The proposed change is expected to ensure that debtors who owe debts to the Unemployment Insurance Division are not subjected to unnecessary surcharges.
- b. **Administrative.** None expected.
- c. **Fiscal.** None expected.

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.

Based on DWD's reading of DOR's debt referral contract, DWD must remit any amounts it recovers for a referred debt to DOR. US-DOL may consider this to be a violation of the immediate deposit standard, which would cause Wisconsin to not substantially comply with federal law. And, US-DOL may consider this type of remittance to be a violation of the withdrawal standard, which permits, with few exceptions, the withdrawal of funds from the Trust Fund only for the payment of unemployment benefits.⁵

5. Proposed Effective/Applicability Date

This proposal would be effective with the proposed changes in the UIAC Agreed Bill.

⁵ 26 USC § 3304(a)(4); 42 USC § 503(a)(5).

UIAC Proposal Tracking – 2019

| No. | Department Proposal Title | Proposal Subject | Presented to UIAC | Action |
|--------|--|--|-------------------|---------------------------|
| D19-01 | Reimbursable Employer Debt Assessment Charging | REDA access to imposter funds | 3-21-19 | Approved on 6-20-19 |
| D19-02 | Assessment for Failure to Produce Records | Subpoena Penalty | 3-21-19 | |
| D19-03 | Fiscal Agent Election of Employer Status | Fiscal Agents | 3-21-19 | Approved on 6-20-19 |
| D19-04 | Clarification of Employee Status Statute | Employee Status | 3-21-19 | |
| D19-05 | Clarification of Exemptions Laws | Levy Exemptions | 3-21-19 | |
| D19-06 | SUTA Dumping Penalty | SUTA Dumping | 3-21-19 | |
| D19-07 | Departmental Error | Department Error | 3-21-19 | Approved on 6-20-19 |
| D19-08 | Appropriation Revisions and Technical Corrections | Cross Reference & Technical Clean-Up and Appr. Revisions | 3-21-19 | |
| D19-09 | Creation of Administrative Fund | IP Lapse and Admin Fund | 3-21-19 | |
| D19-10 | Update Administrative Rules to Convert SIC to NAICS | Amend SIC to NAICS Codes | 3-21-19 | Scope Approved on 3-21-19 |
| D19-11 | Repeal of UI Drug Testing | Drug Testing | 3-21-19 | |
| D19-12 | Repeal of Substantial Fault | Substantial Fault | 3-21-19 | |
| D19-13 | Define Suitable Work by Administrative Rule | Suitable Work | 3-21-19 | |
| D19-14 | Quit Exception for Relocating Spouse | Quit Exception | 3-21-19 | |
| D19-15 | Increase and Index Maximum Wage Cap for the Partial Benefits Formula | Wage Threshold | 3-21-19 | |
| D19-16 | Repeal Waiting Week | Waiting Week | 3-21-19 | |
| D19-17 | Repeal Work Search and Work Registration Requirements | Work Search & Work Registration | Tabled | |
| D19-18 | Increase Maximum Weekly Benefit Rate to \$406 | Increase WBR to \$406 | 3-21-19 | |
| D19-19 | Department Reports to Legislature | Department Reports | 6-20-19 | |
| D19-20 | Effect of a Criminal Conviction | Department Determinations | 6-20-19 | |
| D19-21 | Eligibility for Certain Employees | Benefit Eligibility | 6-20-19 | |
| D19-22 | Prohibit DOR Collection of UI Debts | Collections | 9-19-19 | |

| No. | Labor Proposal Title | Proposal Subject | Presented to UIAC | Action |
|------------|---|--------------------------|--------------------------|---------------|
| L19-01 | Increased Penalties for Willful Worker Misclassification | Worker Misclassification | 6-20-19 | |
| L19-02 | Amend UI Tax Schedule Triggers Based on AHCM | Tax Schedule Triggers | 6-20-19 | |
| L19-03 | Increase Taxable Wage Base and Index in Future Years | Taxable Wage Base | 6-20-19 | |
| L19-04 | Repeal Waiting Week | Waiting Week | 6-20-19 | |
| L19-05 | Increase Maximum Weekly Benefit Rate to \$406 | Increase WBR to \$406 | 6-20-19 | |
| L19-06 | Repeal of Substantial Fault and restore prior Wis. Stat. § 108.04(5g) | Substantial Fault | 6-20-19 | |
| L19-07 | Quit Exception for Relocating Spouse | Quit Exception | 6-20-19 | |
| L19-08 | Increase and Index Maximum Wage Cap for the Partial Benefits Formula | Wage Threshold | 6-20-19 | |
| L19-09 | Define Suitable Work by Administrative Rule | Suitable Work | 6-20-19 | |

| No. | Management Proposal Title | Proposal Subject | Presented to UIAC | Action |
|------------|---|--------------------------------|--------------------------|---------------|
| M19-01 | Summer Camp Counselor Exclusion | Excluded Employment | 6-20-19 | |
| M19-02 | Union Referral Service Work Search Criteria | Work Search | 6-20-19 | |
| M19-03 | Definition of Employee vs. Independent Contractor | Worker Misclassification | 6-20-19 | |
| M19-04 | Repeal Quit Exception in Wis. Stat. § 108.04(7)(e) | Quit Exception | 6-20-19 | |
| M19-05 | Link Benefit Eligibility Weeks to State Unemployment Rate | Duration of UI | 6-20-19 | |
| M19-06 | Clarify Definitions of Misconduct and Substantial Fault | Misconduct & Substantial Fault | 6-20-19 | |

Unemployment Insurance Advisory Council
Tentative Schedule
2019
(Updated 09/18/2019)

| | |
|--|---|
| January 17, 2019 | Scheduled Meeting of UIAC Discuss Public Hearing (Nov. 15, 2018) Comments |
| February 21, 2019 | Scheduled Meeting of UIAC (Cancelled) |
| March 21, 2019 | Scheduled Meeting of UIAC Introduce Department Law Change Proposals |
| April 18, 2019 | Scheduled Meeting of UIAC Discuss Department Proposals |
| May 22, 2019 | Re-Scheduled Meeting of UIAC Approve/Discuss Department Proposals Exchange of Labor & Management Law Change Proposals |
| June 20, 2019 | Scheduled Meeting of UIAC Approve/Discuss Department Proposals Discuss Labor & Management Proposals |
| July 18, 2019 | Scheduled Meeting of UIAC Approve/Discuss Department Proposals Discuss Labor & Management Proposals |
| August 15, 2019 | Scheduled Meeting of UIAC Discussion and Agreement on Law Changes for Agreed Upon Bill (Cancelled) |
| September 19, 2019 | Scheduled Meeting of UIAC Review and Approval of Department Draft of Agreed Upon Bill |
| October 22, 2019 (Tentative) | Re-scheduled Meeting of UIAC Review and Approval of LRB Draft of Agreed Upon Bill |
| November 21, 2019 | Scheduled Meeting of UIAC Final Review and Approval of LRB Draft of Agreed Upon Bill |
| December 2019 | Tentative Meeting of UIAC – If Needed |
| January 2020 | Agreed Upon Bill Sent to the Legislature for Introduction in the Spring 2020 Legislative Session |