



Unemployment Reserve Fund FY 2018-19 and FY 2019-20

Department of Workforce Development

Wisconsin's Unemployment Insurance program, which was enacted in 1932 and was the first such program in the United States, is accounted for in the State of Wisconsin Unemployment Reserve Fund and managed by the Department of Workforce Development (DWD). The program provides benefits temporarily to replace a portion of wages lost when individuals become unemployed and meet certain eligibility requirements. Wisconsin Statutes created the Unemployment Insurance Advisory Council to advise DWD on matters related to unemployment insurance and make recommendations for unemployment insurance changes to the Legislature.

We provided an unmodified opinion on the financial statements of the Unemployment Reserve Fund as of and for the years ended June 30, 2019, and June 30, 2020.

The Unemployment Insurance program reported \$2.4 billion in federal reimbursement for fiscal year (FY) 2019-20. The net position of the Fund decreased by \$345.4 million and was \$1.7 billion on June 30, 2020. As a result, the lowest tax rate schedule is in effect for calendar year 2021. We report a material weakness in internal control over financial reporting and recommend that DWD make improvements. We also recommend that DWD report to the Joint Legislative Audit Committee in September 2021 on the status of its efforts related to certain issues that were ongoing after the end of FY 2019-20.

The Unemployment Insurance program reported \$2.4 billion in federal reimbursement for FY 2019-20

In March 2020, and in response to the public health emergency, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act established additional federal programs to disburse benefits to unemployed individuals, including:

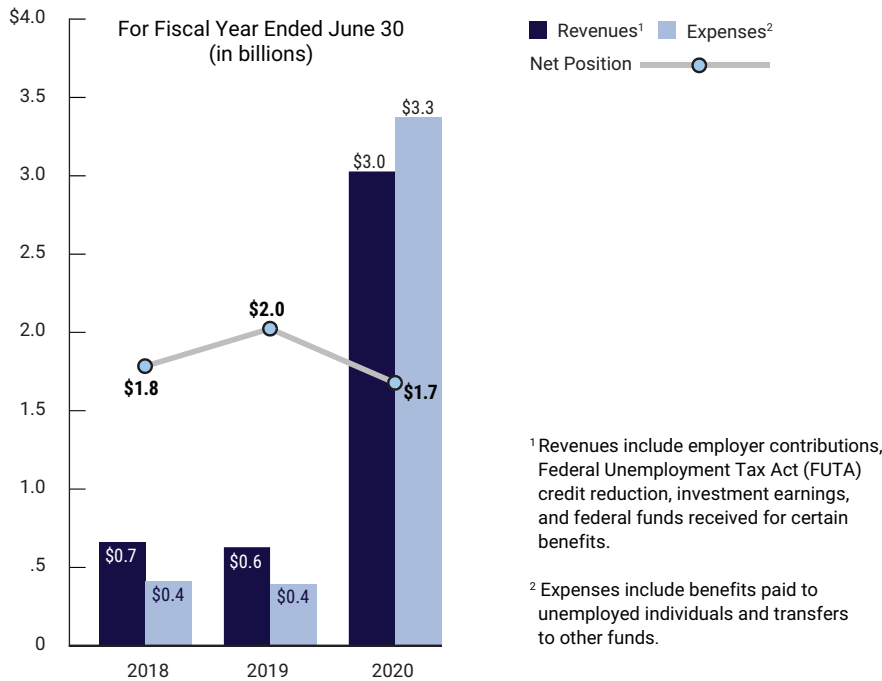
- the Pandemic Emergency Unemployment Compensation program, which provided temporary funding of benefits for an additional 13 weeks of eligibility;
- the Pandemic Unemployment Assistance program, which provided 39 weeks of benefits to individuals ineligible for regular unemployment benefits, had a minimum payment amount of \$163 and maximum payment of \$370; and
- the Federal Pandemic Unemployment Compensation program, which provided an additional \$600 to the weekly benefit payment for individuals eligible for either regular or pandemic-related unemployment benefits.

In addition, federal reimbursement was reported for certain regular unemployment benefits provided during the public health emergency, including federal reimbursement for the first week of regular unemployment benefits.

The net position of the Unemployment Reserve Fund decreased by \$345.4 million and was \$1.7 billion as of June 30, 2020

From June 30, 2019, to June 30, 2020, the Unemployment Reserve Fund's net position decreased by \$345.4 million, or 17.1 percent, to \$1.7 billion. The decline in net position was not more significant because federal funding was received to provide benefits.

Unemployment Reserve Fund Revenues, Expenses, and Net Position



The lowest tax rate schedule is in effect for calendar year 2021

Wisconsin Statutes include four unemployment insurance tax rate schedules. One of the four tax rate schedules is in effect for a calendar year based on the cash balance of the Unemployment Reserve Fund as of June 30 of the preceding year. The lowest tax rate schedule, Schedule D, has been in effect since calendar year 2018. Because the cash balance of the Fund continued to be above \$1.2 billion as of June 30, 2020, the lowest tax rate continues to be in effect for 2021.

Unemployment Insurance Tax Rate Schedules¹

	Schedule A	Schedule B	Schedule C	Schedule D
Cash Balance ²	Less than \$300.0 million	At least \$300.0 million but less than \$900.0 million	At least \$900.0 million but less than \$1.2 billion	At least \$1.2 billion
Year Effective	2015	2016	2017	2018, 2019, 2020, and 2021

¹ In order from highest tax rate to lowest.

² Cash balance of the Unemployment Reserve Fund as of June 30 of the preceding year.

DWD should improve aspects of its financial reporting

We found DWD did not properly consider the significant backlog of claims that resulted from the public health emergency when assessing the potential unemployment benefits that were payable as of June 30, 2020. We considered this to be a material weakness in internal control over financial reporting, which we included both in this report and in our audit of the State's FY 2019-20 Comprehensive Annual Financial Report (report 20-30).

We recommend DWD revise its procedures for calculating the benefits payable at the end of the fiscal year to ensure the effects of changes in circumstances, such as the backlog of claims that occurred in FY 2019-20, are accurately reflected.

DWD should report on its efforts related to ongoing issues

The Unemployment Insurance program continues to be affected by matters that either continued after the end of FY 2019-20 or that arose after the end of the fiscal year. We recommend DWD report to the Joint Legislative Audit Committee by September 16, 2021, on the status of its efforts to continue to process and pay benefits under new or continuing federal programs; to determine the relief that will be provided to employers for regular unemployment benefits provided during the public health emergency; and to complete reviews DWD identified to assess if payments were incorrectly provided and establish an overpayment amount, as appropriate.