



Unemployment Reserve Fund FY 2020-21 and FY 2021-22

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, 2021, and June 30, 2022. We conducted this financial audit by auditing the Fund's financial statements in accordance with applicable government auditing standards, issuing our auditor's opinion, reviewing internal controls, and issuing our auditor's report on internal control and compliance.

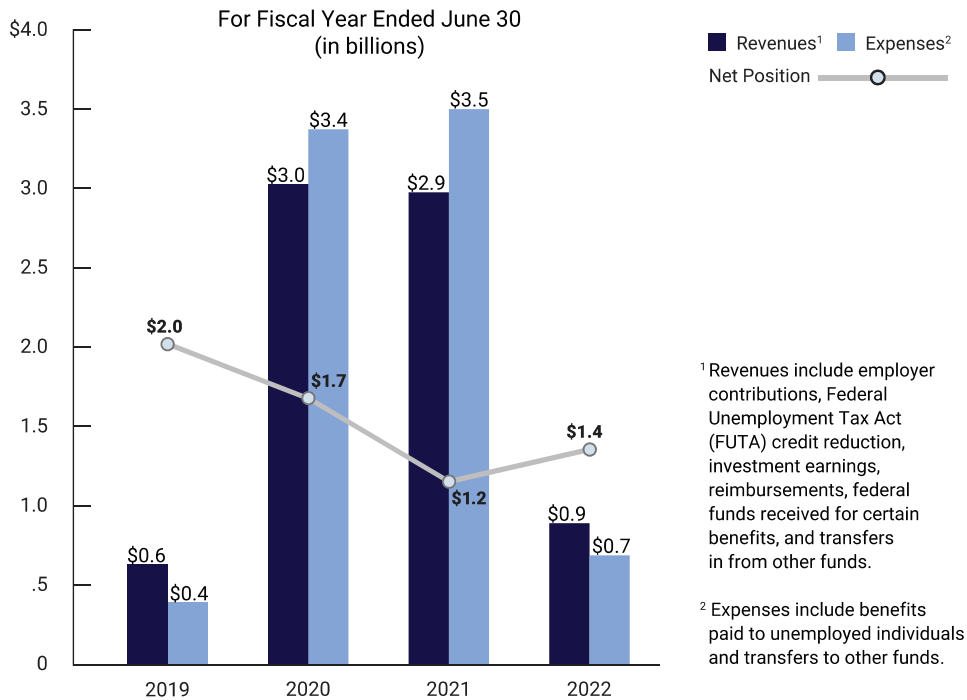
The Unemployment Insurance program reported \$2.8 billion in federal reimbursements during FY 2020-21 and FY 2021-22

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 fund benefits to unemployed individuals and to provide funding for certain regular unemployment benefits. Federal benefits established through the federal CARES Act were extended by the federal Continued Assistance Act and the American Rescue Plan Act (ARPA). Federal program benefits totaled almost \$2.5 billion during fiscal year (FY) 2020-21. These programs ended on September 4, 2021, and federal program benefit payments during FY 2021-22 were \$338.0 million, which was a reduction of almost \$2.2 billion from FY 2020-21.

The net position of the Unemployment Reserve Fund decreased by \$668.5 million since June 30, 2019

From June 30, 2021, to June 30, 2022, the Unemployment Reserve Fund’s net position increased by \$202.9 million, or by 17.6 percent, to \$1.4 billion. Since June 30, 2019, which was prior to the public health emergency, the net position of the Fund decreased by \$668.5 million, or 33.0 percent. This decline was not more significant during the public health emergency because federal reimbursement was received to provide for both federal benefit payments and for certain regular unemployment benefit payments. Further, the Fund also received \$69.8 million in reimbursement from the interest and penalty account in the State’s General Fund during FY 2021-22. In addition, 2021 Wisconsin Act 58 provided for a transfer of \$120.0 million from the General Fund to the Unemployment Reserve Fund over the 2021-2023 biennium, of which \$60.0 million was transferred during FY 2021-22.

Unemployment Reserve Fund Revenues, Expenses, and Net Position



The lowest tax rate schedule is in effect for calendar year 2023

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. Under the provisions of 2021 Wisconsin Act 59, the lowest tax rate schedule—Schedule D—was to be in effect for calendar years 2022 and 2023 without regard to the cash balance as of June 30 of the preceding year. Schedule D has been in effect since 2018.

Unemployment Insurance Tax Rate Schedules¹ 2015 through 2023

	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	Under provisions of 2021 Wisconsin Act 59, Schedule D was used without regard to the cash balance as of June 30 of the preceding year
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 completed its review of regular unemployment benefit payments

During FY 2021-22, DWD completed its review of approximately \$1.5 billion in regular unemployment benefit payments provided to former employees of both taxable and reimbursable employers during the public health emergency. The purpose of this review was to determine whether the benefit payments could be funded by federal reimbursements, be funded by the interest and penalty account, or be transferred to the Fund's solvency account.

For taxable employers, regular unemployment benefit payments reimbursed from other sources or transferred to the Fund's solvency account do not directly affect an employer's account and would not be considered in determining the employer's experience, which is used to determine employer-specific contribution rates. For reimbursable employers, the regular unemployment benefit payments reimbursed from other sources created credits in the employer's account and reduced amounts due from the employer.

In addition, the transfer of regular unemployment benefit payments increased the deficit balance in the solvency account to \$1.7 billion as of June 30, 2022, and created a \$49.2 million overdraft in the interest and penalty account in the General Fund.