MIKE ENDSLEY
STATE REPRESENTATIVE · 26TH ASSEMBLY DISTRICT

AB 197: Unemployment Insurance Extended Benefits Testimony by State Rep. Mike Endsley before the Assembly Committee on Labor & Workforce Development July 11, 2011

Thank you Chair Ballweg and Chair Wanggaard, for calling this joint public hearing of your respective standing committees. Along with both Chairs, I am a co-sponsor of AB 197 and SB 147, which would amend the triggers that qualify Wisconsin residents for Extended Benefits. This extension helps workers who have exhausted their regular unemployment benefits during periods of particularly high unemployment.

AB 197/SB 147 is a state statutory change that will allow unemployed individuals in Wisconsin to take advantage of the federal extension that was passed in the Tax Relief Act of 2010. The same federal law created a new statutory trigger for turning on and turning off Extended Benefits (EB). The new trigger is called the "three-year look back".

This legislation would allow the EB period to remain open for Wisconsin claimants for a limited time, through January 4, 2012. The EB would continue during this period of time, as long as 100% federal funding remained and the triggering unemployment rate does not drop below the statutory trigger levels.

EB in Wisconsin have ended in the week ending April 16, 2011, due to declining unemployment rates. If the three-year look back is legislatively adopted, workers who have exhausted regular UI and Emergency Unemployment Compensation benefits will be able to claim EB for up to 13 weeks, the maximum individual benefit amount during an EB period.

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EB in 2011 and those resulting from this proposed amendment are funded by the federal government except for EB paid to employees of state and local governments and federally recognized Indian tribes. Governmental and tribal employers are charged for all EB for their employees. Also, the changes in this proposal have no effect on our current UI debt to the federal government, and will not impact the assessment employers are paying for the interest payment due on September 30, 2011.

AB 197/SB 147 has the support of the Unemployment Insurance Advisory Council (UIAC). The UIAC is a statutory council within the Department of Workforce Development (DWDO) that advises the department on unemployment issues. It is made up of eleven members, five representing employers, five representing employees and a nonvoting chairperson who is a permanent classified employee of the department.

On June 23, 2011, the UIAC voted unanimously to support the proposal being considered by the committee today. Staff from DWD estimates that if AB 197/SB 147 passes, that a range of 23,000 to 40,000 claimants that may become eligible for EB. An exact number of those eligible for EB could not be determined because there is no way to determine how many will find work or other factors that could lower the number of eligible claimants.

Last Friday, the U.S. Bureau of Labor Statistics released the latest data in their Employment Situation Summary. The national unemployment rate inched upward to 9.2% and the number of unemployed has increased 545,000 since March. The total number of unemployed rose to 14.1 million and 44% of those folks have been unemployed for 6 months or more.

While Wisconsin has shown improvement, which caused us to trigger off of the EB, the national data shows there is still great uncertainty in the employment picture. The 13 weeks of EB that the long-term unemployed will be eligible for under this legislation can help someone who is still struggling to find suitable employment.

Thank you for the urgency that both committees are showing in scheduling this bill for an immediate hearing, and I hope you will help advance this proposal today.

I would be happy to answer any questions at this time. Also, there are others waiting to testify, including staff from the department that could answer some of your technical questions.

Van H. Wanggaard

Wisconsin State Senator

TESTIMONY OF SENATOR VAN WANGGAARD ON SENATE BILL 147

Thank you, Chairman and Committee Members, for the opportunity to testify on behalf of Senate Bill 147 and its Assembly companion, AB 197, which extend unemployment benefits for an additional 13 weeks. The bill is the product of the Unemployment Insurance Advisory Council.

The Department of Workforce Development will be testifying before the committee, so I will allow them to explain the technical aspects of this bill. I will only explain the basics. Due to declining unemployment rates statewide, long-term unemployed individuals saw emergency benefits expire the week ending April 16, 2011. As of that date, Wisconsin had "triggered" off its eligibility for extended benefits.

However, in Late 2010, the Federal government authorized a new method for measuring the "trigger" for benefits. This measure uses a three-year lookback instead of the typical two year lookback. Under the three-year lookback, Wisconsin's extended unemployment benefits can continue for an additional 13 weeks, the maximum amount allowable under the extended benefit program or until January 4, 2012. These extended benefits are 100% federally funded, and do not add to Wisconsin's unemployment debt to the federal government. This bill allows Wisconsinites looking for work to access up to $89 million in unemployment benefits through the end of the year.

This is a very unique situation – a limited extension funded entirely by federal dollars, and will not add to the UI debt. I am greatly concerned about the integrity of the Unemployment Insurance Fund, which is currently $1.3 BILLION in debt to the federal government. I share the concern of many that extending unemployment benefits for too long will lead some to the dangerous belief that this temporary benefit program is an entitlement. Now is not the time to address either of those critical issues. Now is the time to help those who have been unable to find employment and/or are trying to complete training in new job skills.

This bill, and this hearing, should serve as a catalyst for those Wisconsinites who are unemployed to re-double their efforts to find work. We cannot and we should not expect further bailouts and extensions.

We in Wisconsin have not yet recovered the jobs that were lost during the Doyle Administration. This is especially true in my district - Racine has ranked number one or two in unemployment for the last 15 years. Last month, we ranked first again. That is unacceptable. Unfortunately, despite creating tens of thousands of new jobs in Wisconsin in just the first few months of this year, far too many Wisconsinites are looking for work. This bill will help those in need put food on their tables and stay in their homes until they are able to find work.

Serving Racine County - Senate District 21

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STATE OF WISCONSIN
DWD
Department of Workforce Development

Scott Walker, Governor
Scott Baumbach, Secretary

Unemployment Insurance Extended Benefits Memorandum
Department of Workforce Development

Senate Bill 147 and its companion, Assembly Bill 197, create a statutory mechanism to provide federally funded unemployment benefits to certain workers who are unemployed and otherwise eligible for such benefits. The bill is retroactive so that workers who claim and establish eligibility for the period since April 16 receive benefit payments. The bill was approved by the Unemployment Insurance Advisory Council on June 23, 2011.

Background: What is the Extended Benefits program?

1970: Federal extended benefit program ("Extended Benefits")

Funding of Extended Benefits:

- 50% federal / 50% employers. Since February 2009: 100% federal.
- State, local and tribal government employers pay 100%

2008: Federal Emergency Unemployment Compensation (EUC): 100% federal.

Order of payments to eligible claimants:

- 26 weeks of unemployment (maximum benefit entitlement): State of Wisconsin's "regular" unemployment program – paid by Wisconsin employers through the Wisconsin Unemployment Reserve Fund
- Weeks 27 – 73: EUC
- Weeks 74 – 86: Extended Benefits

Purpose and effect of this legislation

Trigger concept:

- Extended Benefits begin in each state based on that state's prevailing ***rate of unemployment – "trigger" rate*** opens "Extended Benefit Period"
- February 2009: Wisconsin ***began*** an Extended Benefit Period
- April 16, 2011: Wisconsin unemployment rate declined to trigger the ***end*** of the Extended Benefit Period. No Extended Benefits have been paid for weeks of unemployment since that date.

2010 federal law change re Extended Benefits ("Tax Relief Act"):

- Extends 100% federal funding through January 4, 2012
- Creates a new statutory trigger for Extended Benefits -- "three-year look back" -- through January 4, 2012

- New trigger allows a state to ***continue*** its Extended Benefit Period despite 2011 unemployment rates that may be "low" relative to the two most recent years. Trigger is optional; may elect trigger by state legislation.

Funding of Extended Benefits in 2011:

100% federal except that state, local and tribal government employers pay 100%

Estimated Amounts of Extended Benefit Payments:

Department of Workforce Development estimates that as a result of the bill Extended Benefits of $89 million will be paid for the period of April to December 2011. Of that amount, approximately $1 million will be paid by state,.local and tribal government employers.

Summary

In summary, this bill would enact the three-year look-back trigger for purposes of the Extended Benefits in Wisconsin. The Extended Benefit period would continue from April 16, 2011 during the remaining period of 100% federal funding of Extended Benefits, while the trigger itself remains authorized by the federal government, and provided the trigger levels continue to be met. With the new trigger and under current federal law, Extended Benefits would continue in Wisconsin through January 4, 2012.

Eligible Extended Benefits claims will be paid up to a maximum of 13 weeks.

- DWD estimates that enactment would result in approximately **$89 million in benefits** paid to unemployed Wisconsin residents through the remainder of the 2011 calendar year.

- Of the $89 million, DWD estimates that approximately **$800,000** will be charged to state and local government units.
    - Of this amount, approximately
        - $554,000 will be to local governmental units
        - $246,000 will be to state government.
            - Of the $246,000 to state government, DWD estimates
                - $142,000 GPR,
                - $26,000 FED,
                - $54,000 PR, and
                - $24,000 SEG.

- Under current federal law, federal funding for the employer portion of Extended Benefits ends at the close of 2011, so no long range fiscal implications are anticipated.

- DWD estimates implementation costs to the UI Division of DWD to be approximately $19,000.

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2011 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 11-2298/2	Introduction Number SB-147

Description
Payment of extended unemployment insurance benefits during certain periods in this state.

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
- ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☒ Indeterminate
  1. ☒ Increase Costs ☐ Permissive ☒ Mandatory
  2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☒ Towns ☒ Village ☒ Cities
     ☒ Counties ☐ Others
     ☒ School Districts ☒ WTCS Districts

Fund Sources Affected						Affected Ch. 20 Appropriations
☒ GPR	☒ FED	☒ PRO	☒ PRS	☒ SEG	☒ SEGS	

Agency/Prepared By	Authorized Signature	Date
DWD/ Ben Peirce (608) 266-3635	Georgia Maxwell (608) 266-2284	7/8/2011

Fiscal Estimate Narratives

DWD 7/8/2011

LRB Number **11-2298/2**	Introduction Number **SB-147**	Estimate Type **Original**

Description
Payment of extended unemployment insurance benefits during certain periods in this state.

Assumptions Used in Arriving at Fiscal Estimate

SB-147 would provide for an additional method, as allowed by federal law, for Wisconsin to qualify for an Extended Benefits "on" period. Under current federal law, the employer share of extended benefits is paid by the federal government for claims filed before January 4, 2012. However, the employer portion, where the employer is a state or local government entity, or an Indian tribal entity, is not paid by the federal government. The bill provides for retroactive implementation.

The Department of Workforce Development estimates that enactment of this additional method to qualify for an Extended Benefit "on" period would result in approximately $89 million in benefits paid to unemployed Wisconsin residents through the remainder of the 2011 calendar year. This estimate is based upon DWD and DOR economic projections.

Of the $89 million projection, DWD estimates that approximately $800,000 will be charged to state and local government units. See Fiscal Estimate Worksheet for details.

Long-Range Fiscal Implications

Under current federal law, federal funding for the employer portion of Extended Benefits ends at the close of 2011, so no long range fiscal implications are anticipated.

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **11-2298/2**	Introduction Number **SB-147**

Description
Payment of extended unemployment insurance benefits during certain periods in this state.

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

Under current law, federal funding of the employer share of Extended Benefits expires at the end of calendar year 2011. As a result, all estimated fiscal impact occurs only in the remainder of calendar year 2011, and there will be no ongoing annualized costs. DWD estimates the governmental unit share of the $89 million in anticipated Extended Benefit payments will total approximately $800,000 during the remainder of CY2011. Of this amount, approximately $554,000 will be to local governmental units, while approximately $246,000 will be to state government. Of the $246,000 to

state government, DWD estimates $142,000 GPR, $26,000 FED, $54,000 PR, and $24,000 SEG. Additionally, DWD estimates implementation costs to the UI Division of DWD to be approximately $19,000.

II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		

III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	Authorized Signature	Date
DWD/ Ben Peirce (608) 266-3635	Georgia Maxwell (608) 266-2284	7/8/2011

Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2011 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 11-2344/1	Introduction Number AB-0197

Description
Payment of extended unemployment insurance benefits during certain periods in this state.

Fiscal Effect

State:
- ☐ No State Fiscal Effect
- ☐ Indeterminate
  - ☐ Increase Existing Appropriations
  - ☐ Decrease Existing Appropriations
  - ☐ Create New Appropriations
  - ☐ Increase Existing Revenues
  - ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☒ Yes ☐ No
- ☐ Decrease Costs

Local:
- ☐ No Local Government Costs
- ☒ Indeterminate
  1. ☒ Increase Costs ☐ Permissive ☒ Mandatory
  2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
  3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
  4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
  5. Types of Local Government Units Affected
     ☒ Towns ☒ Village ☒ Cities
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Fund Sources Affected												Affected Ch. 20 Appropriations
☒	GPR	☒	FED	☒	PRO	☒	PRS	☒	SEG	☒	SEGS	

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Fiscal Estimate Narratives

DWD 7/8/2011

LRB Number **11-2344/1**	Introduction Number **AB-0197**	Estimate Type **Original**

Description
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Assumptions Used in Arriving at Fiscal Estimate

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Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **11-2344/1**	Introduction Number **AB-0197**

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Payment of extended unemployment insurance benefits during certain periods in this state.

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(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$**	**$**
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		

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GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**
NET ANNUALIZED FISCAL IMPACT		
	State	Local
NET CHANGE IN COSTS	$	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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