

Fiscal Analysis of Assembly Bill 374: "Repealing the Waiting Week"

Fiscal Impact:

Assembly Bill 374 is estimated to increase benefit charged by approximately \$45 million and increase tax revenue by approximately \$17 million¹ for a total net **decrease (cost)** to the UI Trust Fund by approximately **\$28 million annually**.

Assembly Bill 374 is estimated to incur a one-time IT of 87 hours of \$ 6,612 and one-time administrative cost of 47 hours or \$2,466 for a total one-time cost of approximately **134 hours or \$9,078**. These one-time costs are on existing positions.

Summary of the Proposal:

Effective 01/01/12, Wisconsin implemented a waiting week for Unemployment Insurance benefits. For every new benefit year, no benefits are payable for the first week a claimant would otherwise be eligible for benefits. The waiting week can be a week in which full or partial benefits are payable. The waiting week does not reduce a claimant's maximum benefit amount.

It has been proposed to repeal the waiting week.

UI Trust Fund Impact Summary:

Repealing the waiting week will increase benefits by approximately 5.3% per year, which averaging over the business cycle, is approximately \$45 million in benefits charged to the UI Trust Fund. Using the Tax Model, this would increase taxes by approximately \$17 million¹ per year on average over the business cycle. Therefore, the average net impact to the UI Trust Fund is a **decrease (cost)** of approximately **\$28 million annually**.

The impact to the UI Trust Fund is based upon projecting Unemployment Insurance benefits and contributions over a five-year business cycle which includes expansionary and recessionary periods. This provides the best average annual forecast of the expected costs and/or savings to the UI Trust Fund when the change is fully implemented.

One-time IT and Administrative Impact Summary:

Each business area representative: IT, Tax, Benefits, and Web/Forms are aware of previous changes to implement the waiting week. Each determined what changes would be needed in their respected areas to repeal the waiting week. Each developed a high level estimate that was compiled into a final one-time impact of approximately **134 hours or \$9,078**.

Special Notes:

Since repealing the waiting week may negatively impact UI Trust Fund solvency, it could lead to accelerated FUTA credit reductions if this law were to pass while Wisconsin is borrowing from the Federal government (though this is not the current projection).

¹ With the repeal of the waiting week, more benefits will be charged to employers accounts, which will move employers into higher tax brackets, thus increasing their tax rate and increasing tax revenue to the UI Trust Fund.