

Elimination of Partial Wage Payment Option for Workshare Recipients: D15-07

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FISCAL ANALYSIS OF PROPOSED LAW CHANGE

Trust Fund Fiscal Impact: There is no significant impact to the UI Trust Fund.

IT and Administrative Fiscal Impact: Depending on usage, the implementation of this proposal would result in a *one-time* automated system development solution cost avoidance of \$732,343 or a manual administrative solution *annual* cost avoidance of \$68,628-\$197,616. Depending on the length of the program, the manual administrative solution could be substantial.

Summary of the Proposal: This proposal would amend the current law eliminating the provision for calculating UI benefits based on the partial wage formula. This would mean that a UI claimant enrolled in a workshare program would only be paid under the workshare formula.

If a claimant is enrolled in a workshare program and files for UI benefits, a claimant is paid based on Wisconsin's partial wage formula or paid based on the workshare formula, whichever is greater. Based on a USDOL determination, if a claimant is paid under the partial wage formula, the federal government will not reimburse the UI Trust Fund for those payments and the employer's account will be charged. These two methods of determining payment are problematic within our current UI payment system. Significant technological upgrades are needed to automatically assign the correct method of payment. If those upgrades are not made, depending on the use of the program, it can lead to substantial ongoing administrative and staffing costs to manually apply the correct method.

Trust Fund Methodology: The federal government is currently funding benefits paid under the workshare formula. Eliminating the partial wage formula alternative from the workshare program ensures federal funding for employers. Since the federal government reimbursement for UI benefits saves the Wisconsin UI Trust Fund money, eliminating the partial wage formula under the workshare program may result in a savings to the UI Trust Fund. However, after August 22, 2015, federal funding for workshare benefits ends and use of the program prior to that date is likely to be small resulting in no significant impact on the UI Trust Fund. Once federal funding of the workshare program ends, there will likely be no measurable impact on the UI Trust Fund.

IT and Administrative Impact: The department was required to apply for a federal administrative grant and was awarded \$641,216, the highest possible amount available to Wisconsin to implement the workshare program. To date, the department has spent \$229,716 on program implementation and modifications to UI systems by December 31, 2013, per statute. These modifications positioned UI to be ready for the workshare program, leaving some manual processes in place. Under large-scale use, additional program changes would be required. Full automation of the workshare program, including automation of the partial wage option would cost an additional \$1,143,843. Without the partial wage option, the remaining costs of automation would be an additional \$386,468. Since the department only has \$411,500 left in the workshare implementation grant, the department would have to spend an additional \$732,343 to automate the workshare program with the partial wage option included in the workshare law. If partial wage option were omitted from the statute, the federal grant would cover all workshare implementation costs. This proposal would result in a cost avoidance to the department of \$732,343 if the department were to implement the automated method.

If the department does not implement the automated method, the alternative would be for UI staff to manually determine the correct benefit payment. The manual solution administrative cost, assuming 250-1,000 workshare claims per week, would be \$234,944 in one-time implementation costs, which would be covered under the federal grant. However, the department would also incur an additional \$68,628-\$197,616 annually in ongoing staffing costs for manual adjustments, which would not be covered under the federal grant. Over the life of the program, if the workshare program were widely utilized, the manual administrative cost would be substantial.