



Joe Leibham

STATE SENATOR

April 9, 2013

Janell Knutson, Chair
Unemployment Insurance Advisory Council
Department of Workforce Development
201 E. Washington Ave, Room E300
Madison, WI 53708-8942

Dear Chair Knutson,

On April 8th, I began circulating a bill proposal for co-sponsorship in the legislature. This bill, LRB 1636/2, would appropriate \$26 million General Purpose Revenue (GPR) for the payment of interest on advances made by the federal government to the unemployment reserve fund. The intention is that this use of GPR would supersede the requirement under current law that employers cover these interest payments through scheduled Special Assessment for Interest (SAFI) payments.

I have attached a copy of the co-sponsorship memo for this bill, which I believe makes a thorough and compelling argument in favor of this proposal. To be brief, I believe one of the best ways the state of Wisconsin can encourage the creation of private sector jobs is to give our job creators a reprieve from making these payments over the next two years. If we allow businesses to keep money that would otherwise be used for SAFI, we can give them more resources to keep people employed and expand. Money not paid into SAFI will be money directly injected into economic growth for our state.

Ultimately, my goal is for the legislature to openly consider the merits of this proposal, consider input from constituents, particularly business owners, and eventually to incorporate the provisions of LRB 1636/2 into the biennial budget. As a way of beginning this process, I would very much appreciate it if the Unemployment Insurance Advisory Council would review this proposal and issue a recommendation.

Realizing the need to work diligently on this issue to meet timelines imposed by the budget process and to quell uncertainty in the business community as soon as possible, I would respectfully request that the Council consider this matter at its April 18th meeting and issue a recommendation as soon as possible thereafter, but by at least May 1st.

For your review, I have attached a copy of LRB 1636/2. Thank you for your consideration of this request, and please contact me with any questions

Sincerely,

Joe Leibham
State Senator
9th District

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MEMORANDUM

TO: All Legislators

FROM: Senator Joe Leibham and Representative John Klenke

DATE: April 8, 2012

RE: Co-sponsorship of LRB 1636/2 relating to: payment of interest on advances made by the federal government to the unemployment reserve fund.

DEADLINE: April 15th at 5:00 PM

If you have visited with businesses in your district over the past two years, especially small businesses, you have most likely heard concerns related to the special assessments they are being forced to pay for unemployment insurance. This proposal provides relief to our small businesses.

During the recent economic downturn, Wisconsin has been required to pay record numbers of unemployment insurance claims. Because the necessary revenue to support these claims exceeded the money available in Wisconsin's Unemployment Insurance Reserve Fund, Wisconsin was required to borrow money from the federal government to support continued payment of unemployment compensation throughout the recession.

Initially, the federal government waived interest on outstanding principle from these loans. However, beginning in 2011 and continuing since, Wisconsin has been required to pay interest on outstanding loans from the federal government to stabilize our Fund. In September, 2011, our interest payment was \$42.3 million. In September, 2012, our interest payment was \$35.8 million. Future interest payments are currently projected to total \$19 million in September, 2013 and \$7 million in September, 2014.

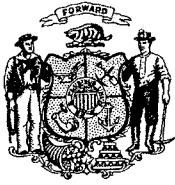
Pursuant to existing law, Wisconsin has financed these interest payments through a Special Assessment for Interest (SAFI) on Wisconsin employers. Essentially, Wisconsin employers of all sizes have been required to pay a new tax to fund these interest payments at the very time many are struggling to survive and make payroll. This assessment has hit employers indiscriminately- even those with individual reserve fund balances that are positive are required to pay. Most concerning, small businessmen and women that we have spoken to who have never laid-off a single employee are being required to pay this assessment.

These assessments, leveled on employers on a per-employee basis, make it more difficult for businesses to hire more employees, make capital investments, and generally expand their businesses. Therefore, this legislation will assist our business owners by using General Purpose Revenue to pay Wisconsin's SAFI obligations over the next two years. Based on current projections, this infusion of \$26 million GPR will be sufficient to prevent employers from having to worry about making additional SAFI payments for the foreseeable future.

Because interest payments are made to the federal government in September and employers are notified of their assessments in early summer, employers will soon be required to make the difficult decisions about how they will finance their coming assessments. Therefore, it is important that the legislature act quickly to consider this legislation to provide employers a reprieve from this new tax and allow them to focus their scarce resources on growing their businesses and Wisconsin's economy.

While there is much we can do to help support the job creators of our state, this proposal will provide immediate relief to help many small businesses survive and hopefully even grow.

If you are interested in co-sponsoring LRB 1636/2 or its Assembly companion, please contact Senator Leibham's office at: 6-2056 or Representative Klenke's office at: 6-0485 no later than **5:00 PM on April 15th**. Unless otherwise indicated, co-sponsors will be added to both versions of the bill.



2013 BILL

1 AN ACT *to repeal* 20.445 (1) (fx); *to amend* 108.19 (1m) and 108.19 (1m); and *to*
2 *create* 20.445 (1) (fx) of the statutes; **relating to:** payment of interest on
3 advances made by the federal government to the unemployment reserve fund
4 and making an appropriation.

Analysis by the Legislative Reference Bureau

Currently, if in any year the balance in the unemployment reserve fund is insufficient to make full payment of unemployment insurance benefits that become payable to claimants for that year, the Department of Workforce Development (DWD) secures an advance from the federal unemployment account to enable this state to make full payment of all benefits that become payable. Whenever the balance in the unemployment reserve fund is sufficient to repay the federal government for its advances and to continue to make payment of the benefits that become payable, DWD repays the federal government for its outstanding advances. Annually, the federal government assesses interest to this state on this state's outstanding advances that have not been repaid. Currently, if in any year DWD is unable to make full payment of the interest that becomes due from certain other limited sources, each employer must pay an assessment to the state unemployment interest payment fund in an amount specified by law sufficient to enable DWD to make full payment of the interest due for that year.

This bill creates a one-time appropriation in the amount of \$26,000,000 from general purpose revenues to pay any interest that becomes due to the federal government prior to July 1, 2015, on outstanding advances made to the

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unemployment reserve fund. Under the bill, DWD must first use any available moneys from this appropriation to make payment of the interest due for any year. If the amount appropriated, together with other available sources, is insufficient to make full payment of the interest that becomes due for any year, each employer must pay an assessment in the amount determined by DWD sufficient to cover the deficiency. If any unencumbered balance remains in the appropriation account created by the bill at the end of the 2013-15 fiscal biennium, the balance lapses to the general fund.

For further information see the *state and local* fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 **SECTION 1.** 20.005 (3) (schedule) of the statutes: at the appropriate place, insert
2 the following amounts for the purposes indicated:

	2013-14	2014-15
20.445 Workforce development, department of		
(1) WORKFORCE DEVELOPMENT		
(fx) Interest on federal advances	GPR B 26,000,000	- 0 -

7 **SECTION 2.** 20.445 (1) (fx) of the statutes is created to read:

8 20.445 (1) (fx) *Interest on federal advances.* Biennially, the amounts in the
9 schedule to pay interest on advances made by the federal government to the
10 unemployment reserve fund under s. 108.19 (1m).

11 **SECTION 3.** 20.445 (1) (fx) of the statutes, as created by 2013 Wisconsin Act ...
12 (this act), is repealed.

13 **SECTION 4.** 108.19 (1m) of the statutes is amended to read:

14 108.19 (1m) ~~Each~~ The department shall pay any interest due on advances from
15 the federal unemployment account to the unemployment reserve fund under Title
16 XII of the federal social security act (42 USC 1321 to 1324) by first applying any

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1 amount available for that purpose from the appropriation under s. 20.445 (1) (fx).
2 If the amount appropriated under s. 20.445 (1) (fx) is insufficient to make full
3 payment of the amount due for any year, the department shall then apply any
4 unencumbered balance in the unemployment interest payment fund and any
5 amounts paid under s. 108.20 (2m). If those amounts are insufficient to make full
6 payment of the amount due for any year, the department shall require each employer
7 subject to this chapter as of the date a rate is established under this subsection shall
8 to pay an assessment to the unemployment interest payment fund at a rate
9 established by the department sufficient to pay interest due on those advances from
10 the federal unemployment account under title XII of the social security act (42 USC
11 1321 to 1324). The rate established by the department for employers who finance
12 benefits under s. 108.15 (2), 108.151 (2), or 108.152 (1) shall be 75% of the rate
13 established for other employers. The amount of any employer's assessment shall be
14 the product of the rate established for that employer multiplied by the employer's
15 payroll of the previous calendar year as taken from quarterly employment and wage
16 reports filed by the employer under s. 108.205 (1) or, in the absence of the filing of
17 such reports, estimates made by the department. Each assessment made under this
18 subsection is due on the 30th day commencing after the date on which notice of the
19 assessment is mailed by the department. If the amounts collected from employers
20 under this subsection are in excess of the amounts needed to pay interest due, the
21 department shall use any excess to pay interest owed in subsequent years on
22 advances from the federal unemployment account. If the department determines
23 that additional interest obligations are unlikely, the department shall transfer the
24 excess to the balancing account of the fund.

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1 **SECTION 5.** 108.19 (1m) of the statutes, as affected by 2013 Wisconsin Act
2 (this act), is amended to read:

3 108.19 (1m) ~~The department shall pay any interest due on advances from the~~
4 ~~federal unemployment account to the unemployment reserve fund under Title XII of~~
5 ~~the federal social security act (42 USC 1321 to 1324) by first applying any amount~~
6 ~~available for that purpose from the appropriation under s. 20.445 (1) (fx). If the~~
7 ~~amount appropriated under s. 20.445 (1) (fx) is insufficient to make full payment of~~
8 ~~the amount due for any year, the department shall then apply any unencumbered~~
9 ~~balance in the unemployment interest payment fund and any amounts paid under~~
10 ~~s. 108.20 (2m). If those amounts are insufficient to make full payment of the amount~~
11 ~~due for any year, the department shall require each Each employer subject to this~~
12 ~~chapter as of the date a rate is established under this subsection to shall pay an~~
13 ~~assessment to the unemployment interest payment fund at a rate established by the~~
14 ~~department sufficient to pay interest due on those advances from the federal~~
15 ~~unemployment account under Title XII of the social security act (42 USC 1321 to~~
16 ~~1324). The rate established by the department for employers who finance benefits~~
17 ~~under s. 108.15 (2), 108.151 (2), or 108.152 (1) shall be 75% of the rate established~~
18 ~~for other employers. The amount of any employer's assessment shall be the product~~
19 ~~of the rate established for that employer multiplied by the employer's payroll of the~~
20 ~~previous calendar year as taken from quarterly employment and wage reports filed~~
21 ~~by the employer under s. 108.205 (1) or, in the absence of the filing of such reports,~~
22 ~~estimates made by the department. Each assessment made under this subsection~~
23 ~~is due on the 30th day commencing after the date on which notice of the assessment~~
24 ~~is mailed by the department. If the amounts collected from employers under this~~
25 ~~subsection are in excess of the amounts needed to pay interest due, the department~~

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1 shall use any excess to pay interest owed in subsequent years on advances from the
2 federal unemployment account. If the department determines that additional
3 interest obligations are unlikely, the department shall transfer the excess to the
4 balancing account of the fund.

5 **SECTION 6. Effective dates.** This act takes effect on the day after publication,
6 except as follows:

7 (1) The treatment of section 108.19 (1m) (by SECTION 5) of the statutes and the
8 repeal of section 20.445 (1) (fx) of the statutes take effect on July 1, 2015.

9 (END)