Financial Outlook

Wisconsin
Unemployment
Insurance
Program

Report prepared for the Governor and Legislature
(Wis. Stat. § 16.48)

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Department of Workforce Development
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Executive Summary

The Department of Workforce Development's Division of Unemployment Insurance (UI) paid a record high level of claims over the last year as a result of the COVID-19 global pandemic. The emergence of COVID-19 created not only a historic public health crisis, but a workforce and economic crisis as well. Between March 15, 2020 and December 26, 2020, the UI Division paid over $4.68 billion to approximately 590,095 claimants. Of those benefit payments, $3.18 billion were not charged to Wisconsin's UI Trust Fund but instead were new federally funded COVID-19 relief programs, including Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), Lost Wages Assistance (LWA), and Federal Pandemic Unemployment Compensation (FPUC).

Wisconsin's UI Trust Fund was in a good position to weather the pandemic, with an Average High Cost Multiple (ACHM) of nearly 1. The healthy balance likely prevented Wisconsin from needing to borrow from the federal government during the COVID-19 pandemic. Nineteen states needed to borrow during the pandemic to pay benefits, with 14 of these states having an AHCM less than 1. With the record level of claims paid, the ACHM is currently at about 0.5. To withstand another recession without having to borrow from the federal government, it is likely the Trust Fund will need to grow again.

The Department projects the Wisconsin economy will quickly recover from the pandemic beginning in the second half of 2021 and grow fairly rapidly through 2023. For the remainder of 2021, the Department anticipates the Trust Fund will continue to shrink slightly but then will stabilize and begin growing in the second half of the year. UI benefit payments are expected to decline starting in 2022, which is projected to lead to an increase in the UI Trust Fund in future years. The Trust Fund is expected to stabilize but remain under $1 billion at the end of 2023. Unforeseen circumstances, including economic adjustments or additional COVID variants that prevent full reopening and economic recovery, may impact the Trust Fund.

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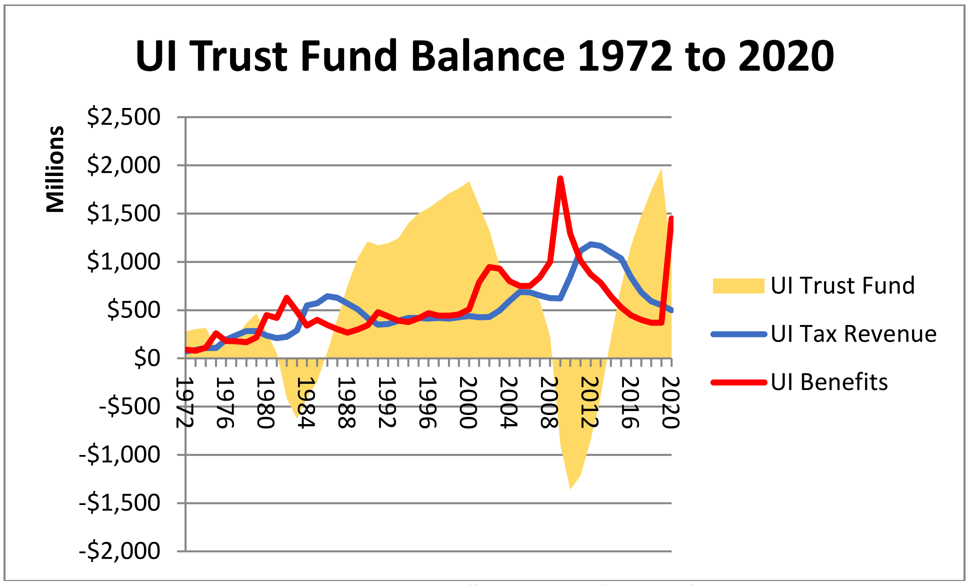
Introduction

The Department of Workforce Development is pleased to present this report on the financial outlook of the State of Wisconsin Unemployment Insurance (UI) program.

This *Financial Outlook* provides a summary of the UI program to measure the adequacy of the UI Trust Fund and the UI financing system. It provides background on UI financing as well as projections for the near-term future of the program.

UI is funded by employer contributions to provide temporary economic assistance to Wisconsin's eligible workers during times of unemployment.



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Prior to the COVID-19 pandemic, UI benefit payments had been historically low. However, with a rapid increase in UI benefit payments in 2020, along with a decline in tax contributions, the UI Trust Fund balance declined significantly. At the end of 2020 the UI Trust Fund had a balance of $1.049 billion.[1] This is a decrease of $682 million from the 2018 ending balance of $1.731 billion.

Section 1 provides the background on the Wisconsin UI Benefits and Financing System, Section 2 provides the recent history of the UI Trust Fund[2], Section 3 provides recent UI law changes and impacts on UI Financing, and Section 4 provides UI Trust Fund projections through the end of 2023.

[1] This amount will differ from the DWD financial statement, which reflected a balance of $1.137 billion. This difference is due to the fact that $18,914,772 of this balance was set up in 2020 in the UI Trust Fund as an Emergency Admin Grant (EUISAA) subaccount to be used for administration of the Unemployment Compensation Program and is not available to pay benefits, and $68,776,989 of this balance is Emergency Unemployment Compensation Relief (EUR) reserved exclusively for funding 50% of the benefits paid for Reimbursable Employers for UI Weeks 12/20-11/21 per § 2103 of the CARES Act and the Continued Assistance Act.

[2] For history of the UI Trust Fund prior to 2019, see Appendix A.

Section 1: Background on the Wisconsin UI Benefits and Financing System

Unemployment Insurance Benefits

UI benefits are paid to claimants who have lost employment through no fault of their own and have a work history with one or more employers that participate in the UI program. To continue to qualify for UI benefit payments, a claimant must be able and available for full-time work and, unless granted an exception, must be actively searching for work. The amount of UI benefit payments a claimant may receive is based on the claimant's past earned wages, up to a maximum weekly benefit rate of $370, an amount below the national average of $453. Wisconsin's maximum rate is also below the average of $504 per week of bordering states. The maximum weekly benefit rate for all states is located in Appendix E. Under the regular UI program, a claimant may receive up to 26 weeks of benefits in Wisconsin, which is consistent with the maximum duration for the vast majority of states.

Covered Employers in the Unemployment Insurance System

Most employers in Wisconsin participate in the UI program and are considered "covered employers."

Covered employers fall into two groups:

Taxable Employers

Most employers in Wisconsin are taxable employers. Individual employers fund UI benefit payments and partially fund UI program operations through quarterly assessed taxes. Unemployment benefit risk is spread across all employers through taxes that are experience-rated, instead of employers self-financing unemployment benefits.

Reimbursable Employers

Reimbursable employers self-finance unemployment benefits for their workers. Local governmental entities, non-profit organizations, and Native American Tribes can elect to be reimbursable employers. UI administers payment to individuals who worked for reimbursable employers and bills those employers directly to reimburse the UI benefits paid.

Unemployment Insurance Taxes

UI benefits are financed by UI taxes levied on an employer's payroll. Taxes are levied by both federal and state governments.

<u>State Taxes</u>

State UI taxes are a payroll tax that finance Wisconsin UI benefits. Employers are assessed UI taxes on each employee's wages up to the taxable wage base. In 2019 and 2020 the taxable wage base was $14,000; therefore, an employer is assessed UI taxes on the first $14,000 in wages paid to each employee. The tax rate an employer pays on wages up to the wage base is determined by two separate factors. The first factor is the UI tax schedule in effect for a given rate year. The UI tax schedule in effect is determined by the UI Trust Fund balance on June 30th of the previous year. Schedule D, the lowest rate schedule, is currently in effect. As the UI Trust Fund balance changes, tax schedules with higher or lower rates automatically take effect. The higher the UI Trust Fund balance, the lower the tax rate schedule in effect.

The second factor that impacts the tax rate an employer pays is the employer's experience with the UI system. The more that current or former employees of an employer collect UI benefits, the higher the tax rate that employer will pay. New Wisconsin employers who do not have a previous history with the Wisconsin UI system are assigned a new employer tax rate for the first three years for which they make contributions. This rate varies depending on the industry and size of the employer. After three years, these employers' taxes are then based on their experience with the UI system.

There are two components of state UI taxes collected:

Basic Taxes

The basic tax is generally the larger portion of the state tax. The basic tax is the portion of the tax an employer pays that is credited to the employer's UI account. The amount an employer pays in basic taxes is heavily tied to the employer's experience with the UI system.

Solvency Taxes

The solvency tax is generally smaller than the basic tax amount. Solvency taxes are deposited in the Trust Fund and credited to the UI Balancing Account. Benefit payments not charged to specific employers are charged to the UI Balancing Account; it represents risk sharing among employers participating in the UI system.

Administrative Assessment

Occasionally, there will be a separate assessment collected along with the UI state tax that is used for specific UI administrative programs. An assessment was implemented for tax years 2019 and 2020 to fund UI program integrity activities. The assessment amount is a flat 0.01 percent rate with a corresponding reduction in the solvency tax rate for all employers subject to a solvency tax. The administrative assessment does not change the amount of tax any given employer is required to pay.

UI Employer Account

The employer account acts only as a measure to gauge a given employer's experience with the UI system. It is not a savings account for the employer to pay for future benefits. The net difference between all the taxes collected and the charged benefit payments over the entire employer's history constitutes the balance of the employer's account, also known as the Reserve Fund Balance. If an employer's account falls below zero, benefits will still be paid to the employer's eligible former workers. The basic tax an employer pays is entered as a credit on the account. UI benefit payments paid to former (or in some cases current) workers are charged against the account.

An employer's account balance on June 30th determines the employer's tax bracket, and ultimately the tax rate an employer pays the next calendar year. The employer's account balance is compared to the employer's current taxable payroll[3]. The employer's reserve fund percentage is the ratio of the employer's account balance to the employer's payroll. This percentage is then compared to the current tax schedule in effect, and the employer's tax rate for the following calendar year is determined.

UI Balancing Account

The UI Balancing Account represents the social insurance aspect of the system for employers. Revenue credited to the UI Balancing Account typically comes from two sources[4]. The first source, and by far the largest, is the solvency tax paid by employers. The second source is any interest earned on the UI Trust Fund. The Trust Fund earned $37.9 million in interest revenue in 2020.

Some benefit payments are not charged to a specific employer's account but are instead charged to the UI Balancing Account. There are seven basic categories of benefit payments charged to the UI Balancing Account: 10 Percent Write-offs, Quits, Misconduct, Substantial Fault, Continued Employment, Approved Training, and Second Benefit Year. In the past there have been other benefit programs that have been charged to the UI Balancing Account. Full descriptions of these charges can be found in Appendix H.

The balance in the UI Balancing Account represents the lifetime revenues credited and benefits charged to the account. The current balance was -$450 million as of December 31, 2020[5]; therefore, the solvency taxes and interest are not sufficient to cover charges against the UI Balancing Account.

Federal Unemployment Taxes (FUTA)

Employers participating in the UI system also pay federal unemployment taxes. FUTA[6] taxes pay for the following:

1. **Unemployment Insurance Administration**
   Like all other states, the administration of Wisconsin's Unemployment Insurance program is funded by FUTA tax revenue. The United States Department of Labor (USDOL) determines the amount of grant funding available to each state. Receipt of federal grant funds requires compliance and conformity with federal UI law.

2. **Extended Benefits (EB) and Emergency Unemployment Compensation (EUC)**
   Wisconsin qualified for the EB program from May 2020 through November 2020. Normally funding for the EB program is shared equally by both the state and the federal government. The state portion is funded through the state's UI Trust Fund and the federal portion is funded through FUTA tax revenue. However, during this period, all EB was fully federally funded except for a small portion due to federal sequestration.

3 While the payroll used is for the fiscal year ending June 30, employers' 2nd quarter contribution and wage reports and payments due July 31 are reflected in this calculation if made on a timely basis.

4 Other federally distributed funds are also credited to the UI Balancing Account. One example is the FUTA credit reduction revenue which occurs when the UI system is borrowing.

5 This does not include benefits in 2020 that will be charged to the UI Balancing Account under Wis. Act 185 and Wis. Act 4.

6 Federal Unemployment Tax Act, 26 U.S.C. § 3301.

The U.S. Congress has the option of authorizing EUC payments, which has typically occurred during severe recessions. During the pandemic, Congress authorized Pandemic Emergency Unemployment Compensation (PEUC).

3. **Trust Fund Borrowing**
FUTA tax creates a revenue source for states to borrow to pay benefits when they exhaust their state UI Trust Fund. After the UI Trust Fund was exhausted in 2009, Wisconsin borrowed from the federal government to pay benefits. Wisconsin finished repaying all federal loans with interest in 2014. Wisconsin has not needed to borrow funds during the current pandemic.

Costs Involved with UI Trust Fund Borrowing

<u>FUTA Credit Reductions</u>

The tax rate for FUTA is 6.0 percent on the first $7,000 of an employee's wages; however, up to 5.4 percent can be credited back to employers if a state's program meets certain requirements, including the state maintaining a positive Trust Fund balance. If a state's Trust Fund remains negative on January 1st for two consecutive years, the FUTA tax credit is reduced by 0.3 percentage points each year the loan is outstanding. From 2011 through 2013, Wisconsin employers were subject to FUTA tax credit reductions for a total cost of $291 million. The additional federal taxes were used to repay the federal loans. When the Trust Fund became positive, employers were again eligible for the full FUTA tax credit.

<u>Special Assessment for Interest (SAFI)</u>

Federal law prohibits using regular state UI taxes to pay interest on a federal loan to a state Trust Fund; therefore, a separate funding source is needed. Wisconsin initially paid the interest charges on its federal loans through a special assessment on employers (SAFI) in 2011 and 2012. Although liability for the interest payments remained, the SAFI was not assessed after 2012. Starting in 2013, the Wisconsin Legislature provided state General Purpose Revenue (GPR) to cover interest due on the UI loan. In total, $103 million in interest costs were assessed on Trust Fund loans due to the Great Recession, with employers paying $78 million through SAFI and the remaining $25 million paid with Wisconsin GPR funds.

The cost to employers of borrowing from the federal government is significant. Ideally, the UI system builds a large Trust Fund that is drawn down during a recession and builds back up during periods of economic expansion. The UI Trust Fund should be large enough so taxes would not need to be raised until after the recovery is underway.

Section 2: Recent History of the Wisconsin Unemployment Insurance Trust Fund

The modern history of our UI financing system begins in 1981, with the events that produced the system in its current form. See Appendix A for more details on the modern history through 2018. This section focuses on the recent history of the Wisconsin UI Trust Fund beginning with 2019.

January of 2019 through Pandemic of 2020

The Unemployment Insurance (UI) Trust Fund ended 2018 with a balance of over $1.7 billion. In 2019 the UI Trust Fund continued to grow, with taxes continuing to exceed historically low benefits, even with the lowest UI tax schedule in effect (Schedule D). The UI Trust Fund reached a high balance of over $1.9 billion in 2019. At the time, the Average High Cost Multiple of the Trust Fund was approaching 1, which is the DOL recommended level for trust fund solvency. At that level, the UI Trust Fund should be able to pay out benefits at a historically high benefit rate for a year without exhausting. Early in 2020, with the onset of the Coronavirus Pandemic, that AHCM was put to the test.

Since March 15, 2020, Wisconsin has faced not only an historic public health crisis with the emergence of COVID-19, but a resulting workforce and economic crisis as well. By December 26, 2020, the Unemployment Insurance (UI) Division had paid out over $4.68 billion to approximately 590,095 claimants since the start of the pandemic. Of those benefit payments, $3.18 billion were for Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), Lost Wages Assistance (LWA), and Federal Pandemic Unemployment Compensation (FPUC), which are federally funded, and not charged to the UI Trust Fund. During this time, many businesses were closed due to the public health emergency, thus reducing payrolls and, in turn, UI tax revenue also declined. Overall, the UI Trust Fund ended 2020 with a balance of $1.049 billion.

Even though a large percentage of benefits were federally funded, the UI Trust Fund was reduced by $600 million with a large increase in regular state UI benefit payments and a reduction in UI tax revenue received during 2020 due to reduced payrolls. With the ending balance of $1.049 billion, the AHCM was at approximately 0.5. If the impacts of the pandemic continue, or if Wisconsin faces another recession, the UI Trust Fund would not be well-positioned to pay benefits without borrowing from the federal government.

Nineteen states needed to borrow funds during the pandemic to pay benefits. Going into the pandemic, 14 of these 19 states had an AHCM less than 1.0. Wisconsin entering the pandemic with an AHCM close to 1.0 likely averted the need to borrow.

Section 3: Recent UI Law Changes and Impact on UI Financing

By Executive Order 72, Governor Evers declared a public health emergency on March 12, 2020 to protect the health and wellbeing of Wisconsin's residents and directed state agencies to assist as appropriate in the State's ongoing response to the public health emergency. On March 13, 2020, the President declared a national emergency concerning the COVID-19 pandemic. On April 4, 2020, the President issued a declaration under the Stafford Act that, due to the COVID-19 pandemic, a major disaster exists in Wisconsin, beginning January 30, 2020 and continuing. Due to the pandemic, many businesses temporarily or permanently closed, resulting in significant business income reduction and layoffs.

The state and federal governments enacted a variety of laws to respond to assist employers and workers who were adversely affected by the COVID-19 pandemic. Some of these laws affected the state's UI Trust Fund.

State law changes

Under 2019 Wisconsin Act 185, the Department of Workforce Development was required to charge unemployment benefits for initial claims related to the public health emergency declared by Executive Order 72 to the UI Balancing Account of the UI Trust Fund for taxable employers. For reimbursable employers, the Department charges non-federally funded benefits to the interest and penalty appropriation. This treatment of claims charging applies to weeks of benefits starting with the week of March 15, 2020. Under 2021 Wisconsin Act 4, the relief of benefit charges for employers ends March 13, 2021.

Under Acts 185 and 4, claimants are now eligible for unemployment benefits for the first week of unemployment, if the first week of unemployment falls between March 15, 2020 and March 13, 2021. Claimants were previously ineligible for benefits during the first otherwise compensable week of unemployment benefits. This is known as the waiting week.

Federal law changes

Since the last Financial Outlook was published in 2019, special programs extended the amount of benefits a person could receive. The federal Emergency Unemployment Insurance Stabilization and Access Act of 2020 (EUISAA), the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, the federal Continued Assistance for Unemployed Workers (Continued Assistance) Act of 2020, and the American Recovery Plan Act of 2021 (ARPA) provided federally funded unemployment benefits, including: PUA, PEUC, FPUC, MEUC, and federal funding of sharable regular compensation and sharable extended compensation in the Federal-State EB Program.

Based on the President's directive, the Federal Emergency Management Agency (FEMA) provided federal LWA benefits for six weeks in 2020 (the weeks ending August 1through September 5, 2020). None of these benefits were chargeable to the state's UI Trust Fund.

Under the CARES Act, the Continued Assistance Act, and ARPA, regular state unemployment benefits for the first week of unemployment are federally funded for states that suspend the waiting week. For Wisconsin, 100% federal funding applies for the first week of unemployment benefits for the period of April 19, 2020 through March 14, 2021.

Work share benefits are also federally funded under the CARES Act, the Continued Assistance Act, and the American Rescue Plan Act (ARPA), for the period of March 29, 2020 through September 4, 2021.

For reimbursable employers, the Federal Government reimbursed 50% of benefits for the period of March 15, 2020 to April 3, 2021. From April 4, 2021 through September 4, 2021, the Federal government will reimburse 75% of benefits paid.

Section 4: UI Trust Fund Projection

UI Trust Projection Methodology

The UI Trust Fund projection is the result of numerous other estimates that include future projections of the economy, unemployment insurance recipiency, and estimated UI tax revenue.

Economic projections are from IHS Markit. The projections include the Wisconsin unemployment rate, labor force growth, and wage growth. The unemployment rate is used in projecting future UI benefits. The labor force growth and wage growth estimates are used both in projections of UI benefit payments and UI tax revenue.

The economic projection assumes the Wisconsin economy will quickly recover from the pandemic beginning in the second half of 2021. Growth is expected to be fairly rapid in 2022 and 2023, returning to long-term trends by 2024.

In addition to the IHS projections, UI benefits are based on the percentage of unemployed workers that apply for UI benefits and the percentage of applications that receive payment. UI benefits are projected to remain elevated for 2021 with higher claim levels. As the economy improves it is expected that UI claims as a percentage of the unemployed workers will return to pre-pandemic levels.

UI tax revenue is based upon the projections of covered payroll as well as UI benefits charged to employer accounts. Covered payroll growth is expected to follow the rest of the economy with fast expansion starting in the second half of 2021 and continuing in 2022 and 2023, returning to long term growth in 2024.

UI benefit charging presents distinct challenges for the current projection. Under normal projection circumstances, UI benefits are directly charged to an employer account which then will affect future tax rates that the employer pays. Under Wisconsin Act 185, and Act 4 UI benefits paid during the pandemic period may instead be charged to the UI Balancing Account rather than charged to the employer accounts. This prevents the UI benefit charges during the pandemic period from impacting employers' experience ratings.

This law change impacts the current projections in very specific ways. Traditionally the percentage of projected UI benefits that are charged are estimated based upon historical rates of benefit charging. Due to the large amount of UI benefit payments that are set to be charged to the Balancing Account instead of employer accounts due to Wisconsin Act 185 and Act 4, using past rates of charging to the UI Balancing Account is not feasible. In addition, the actual shifting of charges from employers to the UI Balancing Account has yet to occur but is planned in the coming months.

Because the full accounting of the charging of benefits has yet to occur, there is added uncertainty to the projections. It is important to note that the charging of the UI benefits affect not only the next year of UI tax revenue but will continue to affect UI tax revenue in future years. The impact of charging UI benefits during the pandemic is expected to have reduced UI tax revenue by approximately $350 million during the projection period of this Outlook. Given that the magnitude of the impact of charging benefits to the UI Balancing Account is large, the corresponding risk to the projection can be in the range of tens of millions of dollars.

The federal CARES Act and similar subsequent legislation has the federal government reimbursing state UI benefit funds for UI benefits that are typically paid by state UI programs. These include reimbursement for all or part of the first week of UI benefits for states that do not have a one week waiting period for UI benefits and providing federal funding for UI benefits that are part of work share - also known as Short Term Compensation (STC) programs in states.

The reimbursement of benefits for these programs has yet to occur. The correct charging for these programs is in the same project that is underway to correctly shift charges from UI employers to the UI Balancing Account. Since this work has yet to be completed, the exact amount of benefits that will be reimbursed to Wisconsin UI Trust Fund is unknown, providing an additional source of potential projection error. However, the estimated federally funded reimbursement to the UI Trust Fund that is expected to occur before June of 2021 is $55 million. Of total, $41 million is expected for the first week of UI benefits and $14 million is expected for the work share program. Due to the timing of the passage of Act 185, approximately $43 million of first week benefits will not be reimbursed by the federal government.

UI Trust Fund Projections

Unemployment Reserve Fund Activity				
(Millions $)				
	2020	2021	2022	2023
Opening Unemployment Reserve Fund Balance	$1,961	$1,049	$751	$836
Revenues:				
State Unemployment Revenues (employer taxes)	$500	$427	$540	$553
Interest Income	$38	$22	$20	$22
Federal Reimbursement for UI Benefits		$55		
Total Revenue	$538	$504	$560	$575
Expenses:				
Unemployment Benefits	$1,450	$801	$475	$512
Ending Reserve Fund Balance[7]	**$1,049**	**$751**	**$836**	**$898**

Projections from Wisconsin Unemployment Insurance Division based upon Wisconsin Unemployment Insurance data and IHS Wisconsin projections February 2021.

The UI Trust Fund is expected to decline by an estimated $298 million in 2021. This is due to the continued high level of UI benefit payments as well as lack of a typical increase in UI tax revenue due to the pause on charging in place from 2020. The tax schedule in place for 2021 is schedule D. It is expected that the UI Trust Fund balance will be below $900 million on June 30, 2021 triggering a shift to schedule B for 2022. This is expected to increase UI tax revenue by approximately $60 million over schedule D; however, with the charging of benefits to the UI Balancing Account and the uncertainty surrounding UI taxable income it is difficult to isolate the impact.

7 This UI Trust Fund balance only includes funds available to pay state UI benefits. There are currently other funds in the Wisconsin UI Trust fund that are not available to pay state UI benefits. Such funds include holding funds for reimbursable employer benefits as part of the CARES Act and the Continued Assistance Act and an emergency administration grant . These accounts are included with other UI Trust Fund balances so they may not match the balances presented here.

UI benefit payments are expected to decline starting in 2022. This will lead to an increase in the UI Trust Fund in these years. At this time, it is expected that the tax schedule will remain at schedule B for 2023.

Risks to UI Trust Fund Projection

In the methodology section, there was some discussion of challenges in producing projections at this time. These challenges create unique risks to the estimated values. This section addresses two other large areas of uncertainty that may cause the projections to be incorrect.

The first is that economic conditions are precarious due to the pandemic. This is different from other economic recessions because the cause and the solution are fairly well-understood. However, there are still risks. It is expected that the economy will start to recover as the population is vaccinated and the nation fully reopens by the end of 2021. But there may be unforeseen circumstances including economic adjustments or additional COVID variants that prevent full reopening. These factors cannot really be addressed in the projections and would cause the projections to be incorrect.

The other large risk is from changes in policy. The policy situation governing UI benefits and UI taxes is very fluid. These projections are made with the best understanding of the current policy available. However, the impacts of those policies are not fully understood in all circumstances. For example, the impact of federal extension of UI benefits on state UI payments is unknown. In many cases, if they qualify for new state UI benefits, claimants are expected to leave federal extended benefits and begin receiving state benefits. However, under certain conditions they may stay on the federal benefits instead. This would reduce the state outlay of benefits. Other changes could include the amount the federal government will reimburse states for UI benefits, or state extensions of charging UI benefits to the UI Balancing Account. Policy changes, including changes in how existing legislation is interpreted, may impact the validity of these projections.

Conclusion and Recommendations

The Secretary recommends the Unemployment Insurance Advisory Council (UIAC) review and advance legislative measures that strengthen UI Trust Fund solvency while supporting the integrity of the UI system. The Secretary urges the Council to pursue a balanced approach to rebuilding the Trust Fund that recognizes some employers are still being economically impacted by the pandemic and the importance of delivering on UI's promise to support unemployed workers who are out of work through no fault of their own.

At the beginning of the pandemic, the UI Trust Fund was in a good position with an Average High Cost Multiple (ACHM) of nearly 1. States that meet the standard (ACHM of 1.0) are less likely to need to borrow and in a better position to withstand economic downturns. The Trust Fund is currently at an ACHM of about 0.5, and not in a position to withstand another economic downturn. The UI Trust Fund will need to grow again to avoid borrowing in a future recession.

Although state and federal legislative action has relieved employers of nearly $1.7 billion in benefit charges from March 15, 2020 through March 13, 2021, the Secretary advises the UIAC to consider that some employers are still trying to recover financially from the pandemic's impact on their operations when it considers strategies to rebuild the Trust Fund.

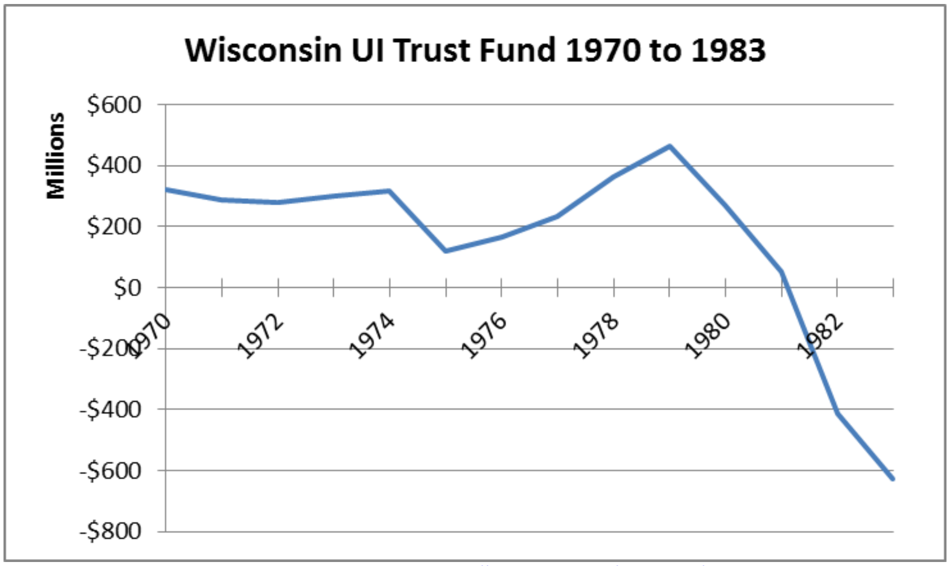
The Secretary also urges the Council to prioritize funding the Trust Fund at rates sufficient to provide workers the financial assistance necessary to withstand temporary periods of unemployment. Without the support of new federally funded unemployment relief programs, the impacts of the COVID-19 pandemic may have been catastrophic on the state's economy. Claimants have not received an increase in the weekly benefit rate since 2014. At one point, UI benefits replaced 50 percent of the average weekly wage but the current replacement rate is approximately 33 percent. Eligibility requirements have also impacted claimant recipiency rates. From 2000-2007, the average recipiency rate was 52.44 percent; whereas, from 2015-2019, the average recipiency rate 33.75 percent.

The department is prepared to support the UIAC as it considers options to further strengthen Wisconsin's Unemployment Insurance program.

Appendix A: Modern History of UI Financing System 1981 – 2018

Creation of Our Current UI Financing System: 1981-1982 Recession and Aftermath

Much of the current Wisconsin UI financing system was developed as a response to the difficulties experienced by the UI Trust Fund during the recession of the early 1980s. The UI Trust Fund was rapidly depleted by the recession and Wisconsin had to borrow from the federal government to pay UI benefits.



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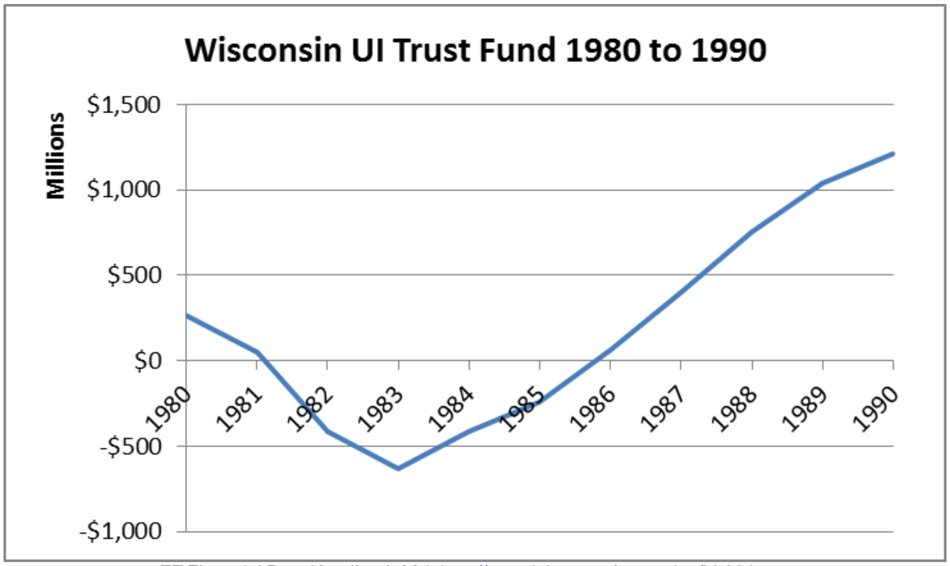
Wisconsin borrowed nearly $1 billion ($988 million) between 1982 and 1986. To provide context, this was about 4.1 percent of Total Covered Payroll in the mid-1980s. The same 4.1 percent of Total Covered Payroll of taxable employers in 2018 would be about $4.2 billion. Wisconsin's employers paid $124 million in interest as a result of borrowing in the mid-1980s.

To eliminate the large UI Trust Fund debt, Wisconsin enacted legislation that provided a number of major changes to the UI financing system. These changes included:

- Increasing the taxable wage base from $6,000 to $10,500;
- Creating new tax rate schedules that are dependent on the UI Trust Fund balance;
- Increasing the Rate Limiter to two percent;
- Temporarily discontinuing the 10 percent write-off;
- Limiting the effect of voluntary contributions;
- Charging the state's portion of Extended Benefits to employers instead of the UI BalancingAccount;
- Reducing the maximum benefit duration from 34 weeks to 26 weeks;

- Increasing the requirements to qualify for benefits;
- Increasing the requalification requirements; and
- Eliminating the indexing of the weekly maximum benefit amount.

These changes allowed Wisconsin to rapidly repay the UI Trust Fund loan and build up a sizable UI Trust Fund by the end of the 1980s.



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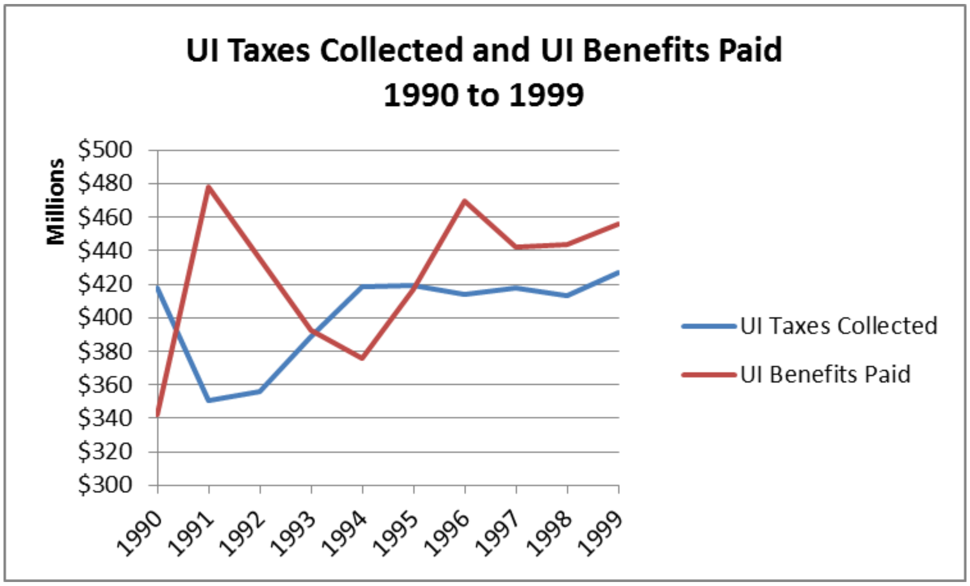
The Static UI Financing System in the 1990s

The UI Trust Fund accumulated a large balance before the onset of the 1991 recession. When therecession hit, total UI benefits paid exceeded UI tax revenue collected; however, the UI Trust Fund remained solvent. As the recession wound down, tax revenue rebounded, and benefit paymentsfell as expected.

During periods of economic growth, the UI financing system is designed to build up the UI Trust Fund to pay UI benefits during an economic downturn and avoid borrowing. This is what occurred following the 1991 recession. After the UI Trust Fund reaches a balance large enough to finance arecession, year-to-year UI benefits paid, and UI tax revenue collected should be roughly equal to maintain the UI Trust Fund balance, ensuring it will be large enough for the next recession.

Beginning in 1996, annual UI benefits paid began to exceed annual UI tax revenue collected. The mid-1990s were a high interest rate environment so the large interest returns allowed the UI Trust Fund to continue to grow despite the UI program running a yearly deficit.



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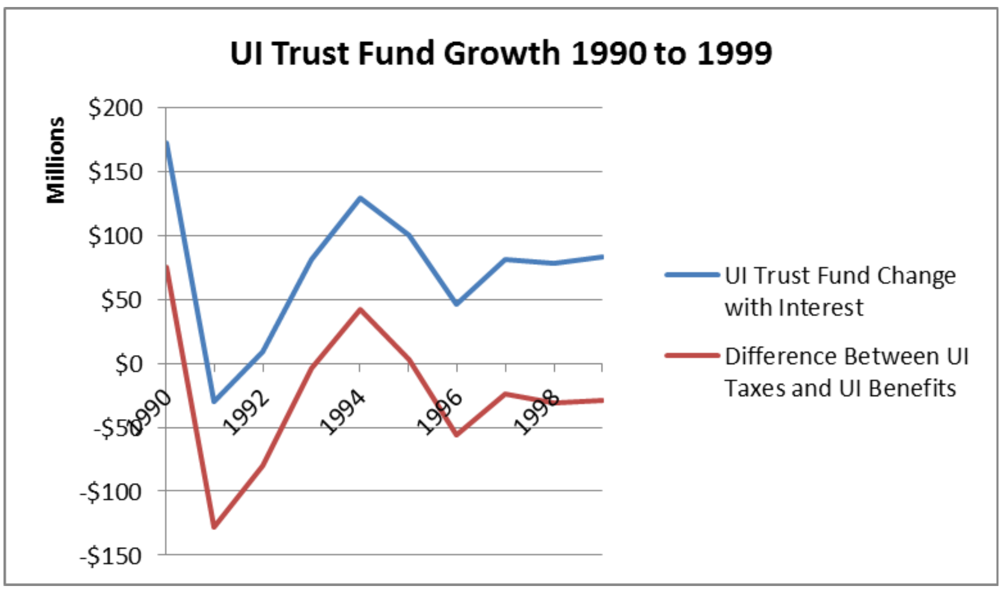

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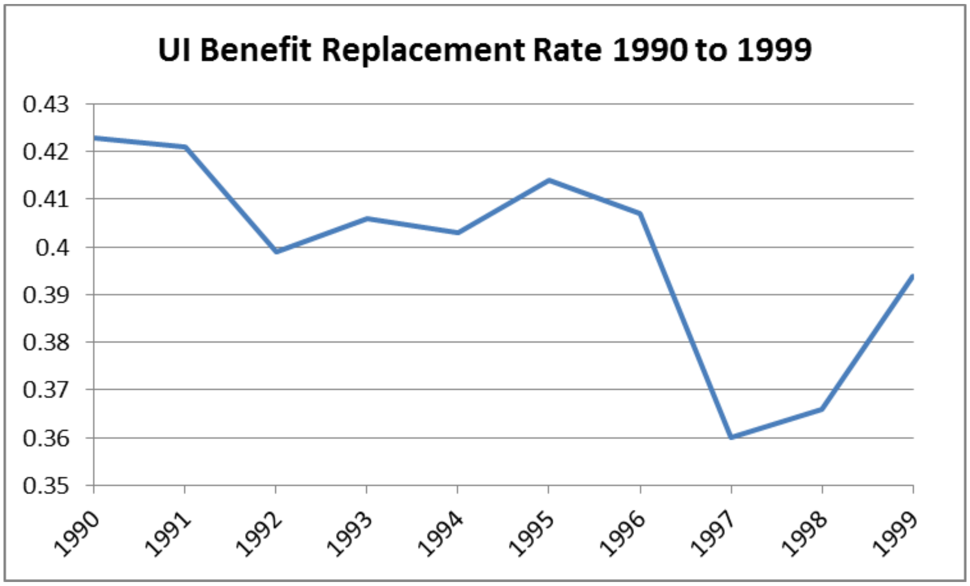
The yearly deficit between benefit payments and tax revenue in the 1990s was not due to increases in the UI benefit formula. In fact, the real value of UI benefits to the unemployed fell during this time. The UI benefit replacement rate (the ratio of the average weekly benefit amount to the average weekly wage) declined over the 1990s. The average weekly benefit amount was 42.3 percent of the average weekly wage in 1990 and fell to 39.4 percent in 1999. (The replacement rate has continued to decline over the past two decades to a current rate of 35 percent.) Although the benefit replacement rate was declining, benefits paid increased in the late 1990s due to the average wage increasing over the period. Increases in an individual's wages increases the amount of a person's benefit entitlement. Benefit payments are expected to increase over time due to increases in wages earned and increases in the number of people employed and eligible for benefits. The UI Trust Fund ended 1999 with a positive balance of $1.7 billion.



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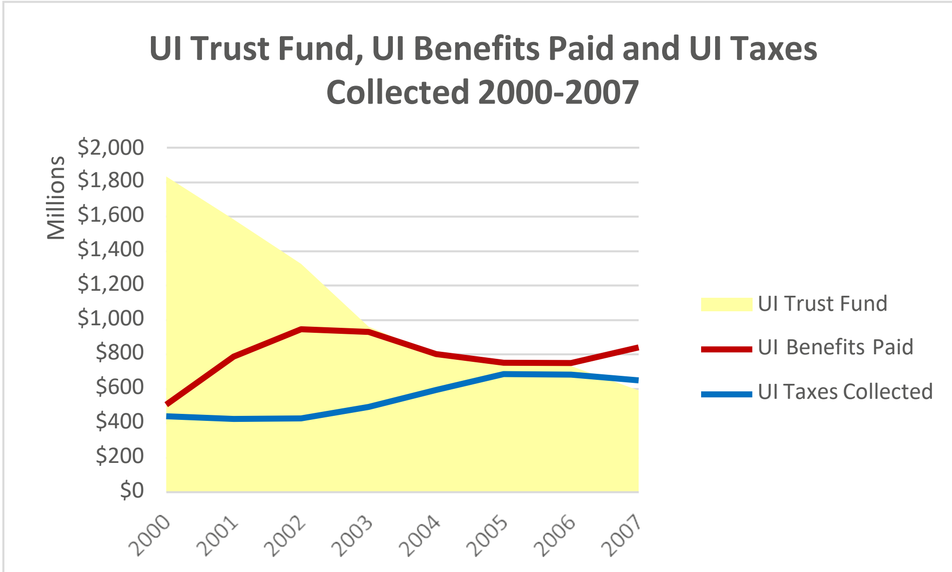
The Shrinking of the UI Trust Fund in the 2000s

The 2001-2002 recession began to expose the structural deficiencies of the 1990s' UI financing system. After the recession ended, the UI Trust Fund continued to dwindle, and taxes collected never exceeded benefits paid. Nationally, growth was tepid during the early part of the decade and growth was slightly slower in Wisconsin than in the rest of the nation.

The level of unemployment claims in the 2000s had increased over levels typical in the late 1990s. Interest earnings were no longer covering the gap between benefit payments and taxes. The system did not respond to either the recession or the shrinking UI Trust Fund. Taxes collected never exceeded benefits paid, and tax revenue started to fall, even though the UI Trust Fund continued to decline.



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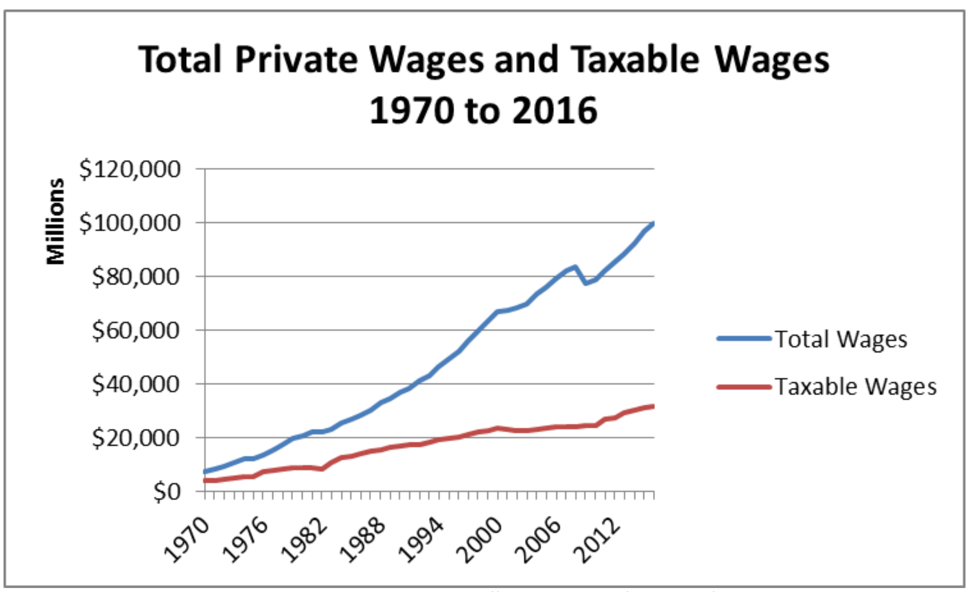
There are two main reasons why the financing system was non-responsive:

1. **UI Taxable Wage Base Not Reflective of Wage Growth**
   The taxable wage base remained at $10,500, the level set in 1986. As a result, the ratio of taxable wages to total wages fell throughout the 1990s and 2000s.

   Increasing wages caused benefit payments to increase faster than tax revenue, even without a change in benefit policy. When the economy started to recover in 2003, employment did not rise as quickly as wages. Because the wage base was set in 1986, the increase in wages was not subject to taxes even though it was still increasing the risk to the system through higher benefit payments.



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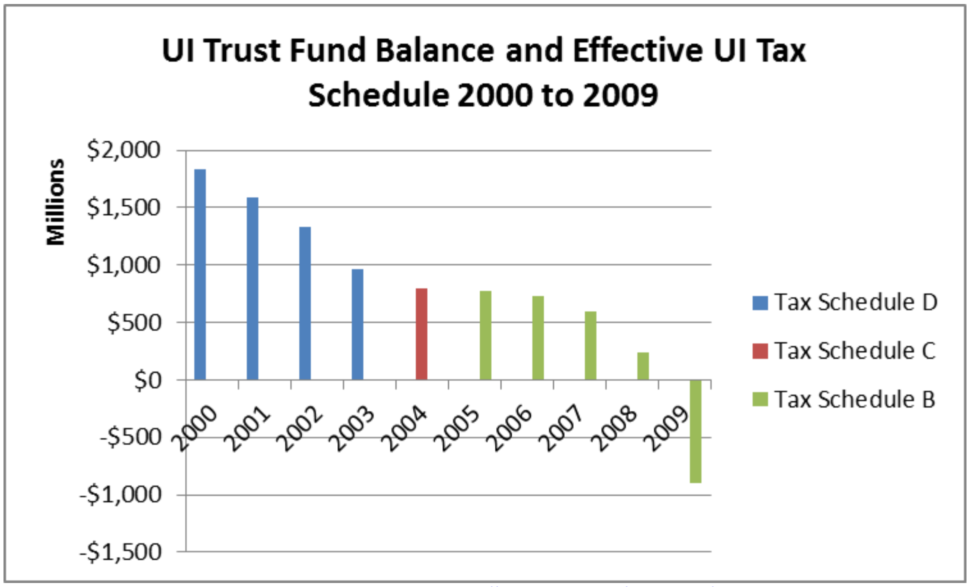
2. The UI Tax Rate Schedule Change Triggers Reflect the 1980s Economy

The UI tax system is comprised of four tax rate schedules. The balance of the UI Trust Fund as of June 30th determines which schedule is in effect for the next tax year and the dollar amount will trigger a corresponding tax schedule. When the schedule triggers were first established, they reflected the Wisconsin economy of the late 1980s. However, as the Wisconsin economy grew the triggers did not. When the triggers were adjusted in 1997, the threshold values were not updated to reflect any economic growth between 1989 and 1997. Therefore, the fixed trigger amounts did not reflect the economy of the early 2000s. Even with the UI Trust Fund shrinking rapidly, the balance never fell below the $300 million balance threshold needed to trigger the highest tax rate schedule (Schedule A). Without the implementation of the higher rates in Schedule A, the UI Trust Fund continued to shrink.



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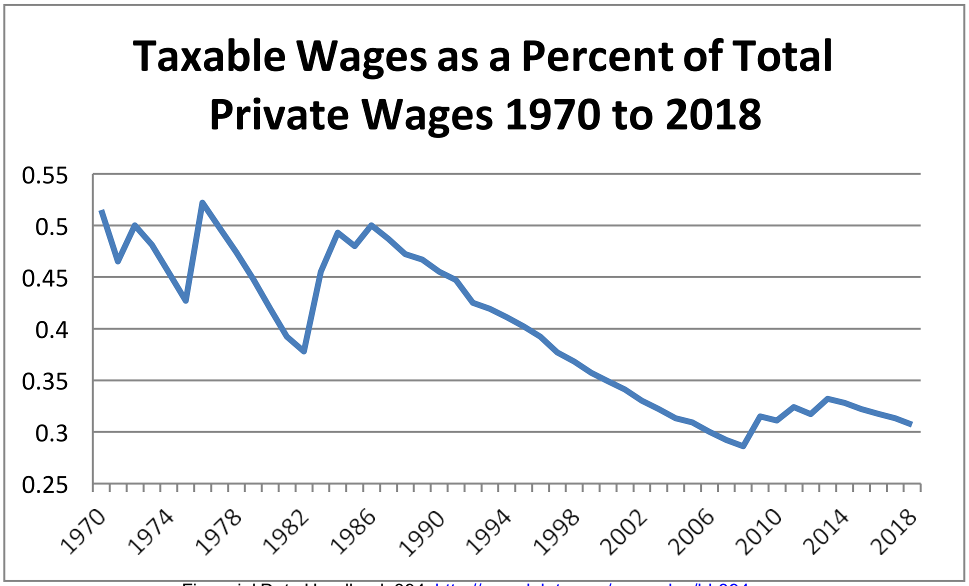
Between 2003 and the onset of the Great Recession, benefits paid remained above taxes collected. Unlike in the 1990s, interest earnings were not large enough to cover the gap and the UI Trust Fund continued to shrink. Any type of downturn would have inevitably caused the depletion of the UI Trust Fund.



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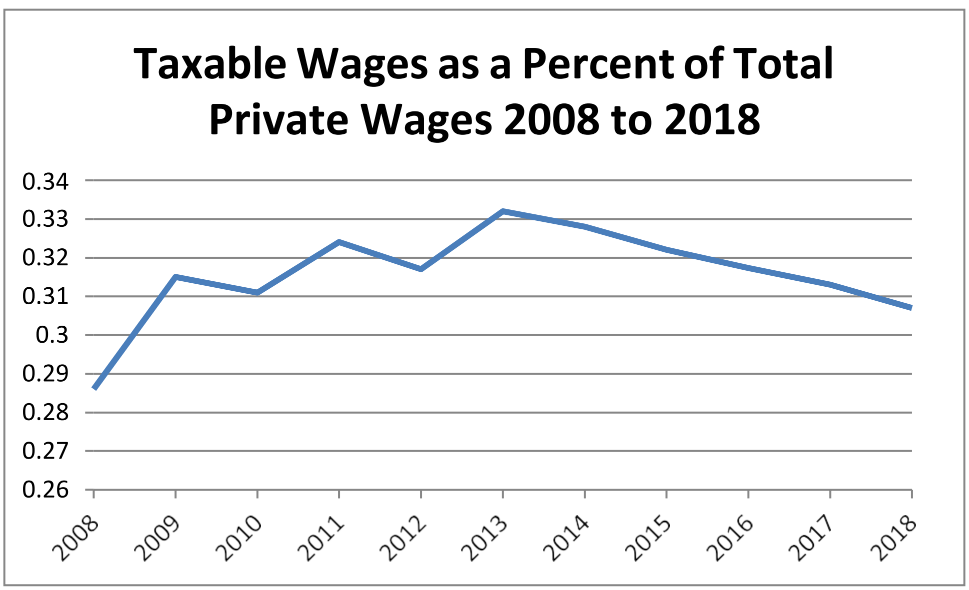
Legislation was enacted in 2008 that increased the taxable wage base to $12,000 in 2009, $13,000 in 2011, and $14,000 in 2013 where it was set to remain. This helped to reduce a portion of the decline of the ratio of the UI taxable wages to overall wages; however, by the time the wage base increased to $14,000 in 2013, the wage base again began to lose value relative to total wages and its value has continued to decline.



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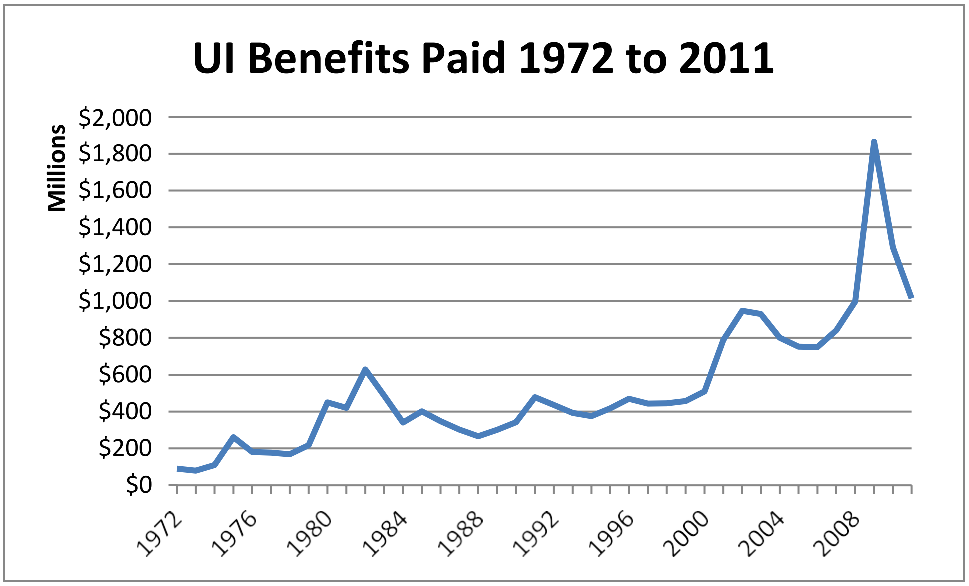
The Great Recession



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The Great Recession strained the entire nation's Unemployment Insurance system. The Great Recession's initial impact on the Wisconsin UI system started in 2007, but it was not until 2008 and 2009 that UI benefit payments increased dramatically while overall employment fell. In raw dollar terms, the four largest benefit outlays in Wisconsin history occurred in the years 2008, 2009, 2010, and 2011, with the largest amount, $1.8 billion, occurring in 2009.

5 Highest Benefit Years based on Benefits Paid as a Percent of Total Payroll 1972-2018

Year	Benefits as a Percent of Total Payroll
1982	2.84
2009	2.41
1980	2.17
1975	2.13
1983	2.11

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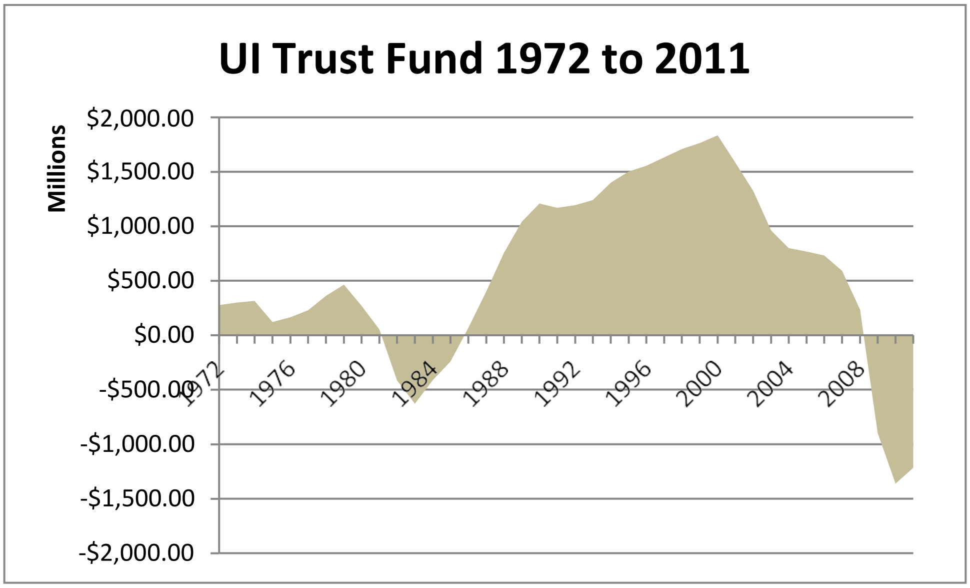
A better way to measure benefit expenditures is by comparing it to the amount of wages in the economy. Payroll can be viewed in terms of how many dollars are at risk. An analogy can be made to homeowner's insurance. The more expensive the home, the more money that needs to be paid out if there is a fire. For unemployment insurance, the more wages in the economy, the more benefits that will need to be paid during a recession.

When looking at benefit payments as a percentage of total payroll, the percentage during the Great Recession, while high, is below benefit payments during the 1981-1982 recession. When viewed from this perspective, only 2009 is among the highest benefit years since 1972. The level of benefits paid during the Great Recession was in line with other recessions and reflected the growth of the economy and the increase in total payroll over four decades.



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As illustrated above, the Wisconsin UI Trust Fund was shrinking throughout the 2000s; the Great Recession was the catalyst that caused the UI Trust Fund to become insolvent and the state to borrow from the federal government to pay UI benefits.

The decline of the UI Trust Fund and the need to borrow to pay benefits led to policy responses taking effect. Some of these policy responses were in place due to existing laws and regulations:

- The reduction in the FUTA tax credit. Revenue from the tax credit reduction is used to pay off UI Trust Fund loans.

- Trigger to the highest Wisconsin UI tax schedule, Schedule A. When the UI Trust Fund fell below $300 million in 2009, Schedule A went into effect for 2010. This schedule raises approximately $90 to $100 million more per year in tax revenue than the next schedule, Schedule B. When the UI Trust Fund balance exceeds $300 million, an automatic trigger to Schedule B occurs.

Schedule A was not in effect until the UI Trust Fund was already insolvent; a strong indicator that the dollar value assigned to the trigger amounts was too low to prevent the need to borrow from the federal government. To put it in perspective, quarterly benefit payments exceeded $300 million in eight of the 16 quarters between 2009 and 2012.

There were three Wisconsin legislative changes aimed to address the structural deficit in the UI Trust Fund during and following the Great Recession and all reduced benefit payments for claimants:

- Defining full-time work to be 32 hours or more;
- Eliminating partial benefits for individuals earning over $500 per week; and
- Establishing a waiting week for UI claimants.

The waiting week caused the largest reduction in UI benefit payments, reducing payments by approximately 5 percent per year. Under the waiting week, the first week of benefits is withheld from eligible claimants. While the waiting week does not reduce the total amount of benefit payments a claimant is eligible to receive, the waiting week will reduce benefits paid for those claimants who do not exhaust their claim. The fewer weeks an individual claims, the larger the percentage reduction in benefit payments the waiting week represents. For example, a claimant claiming 6 weeks will see a 16.67 percent reduction in benefits under a waiting week versus no waiting week in place. Prior to the pandemic, with fewer claimants exhausting, many more claimants were having sizeable reductions in benefit payments due to the waiting week than was true when the law was enacted. At that time, more claimants exhausted their claim and still received payment for their maximum number of weeks.

During the Great Recession, UI benefit payments were reduced by approximately $50 million dollars per year. Because of the multiplier effect[8] of UI benefit payments during a recession, this reduced the economic activity in Wisconsin by $80 to $100 million per year. After the recession the waiting week continued to reduce benefit payments; for 2018 this amounted to approximately $19.9 million.

Recovery and Paying Off the UI Trust Fund Loan

The nation experienced a slow growth recovery following the end of the Great Recession. This had an attendant slow employment recovery which had many people receiving UI benefits for long periods of time[9]. The low level of benefits paid was both a result of an improving economy and diminished base period wages for many people who were no longer qualified for UI benefits going forward due to a lack of employment.

Despite the lengthy period of above average paid benefits, the UI Trust Fund finished 2014 with a balance of $215 million and the UI Trust Fund loan paid. There are three significant factors that contributed to repaying the loan and obtaining a positive balance:

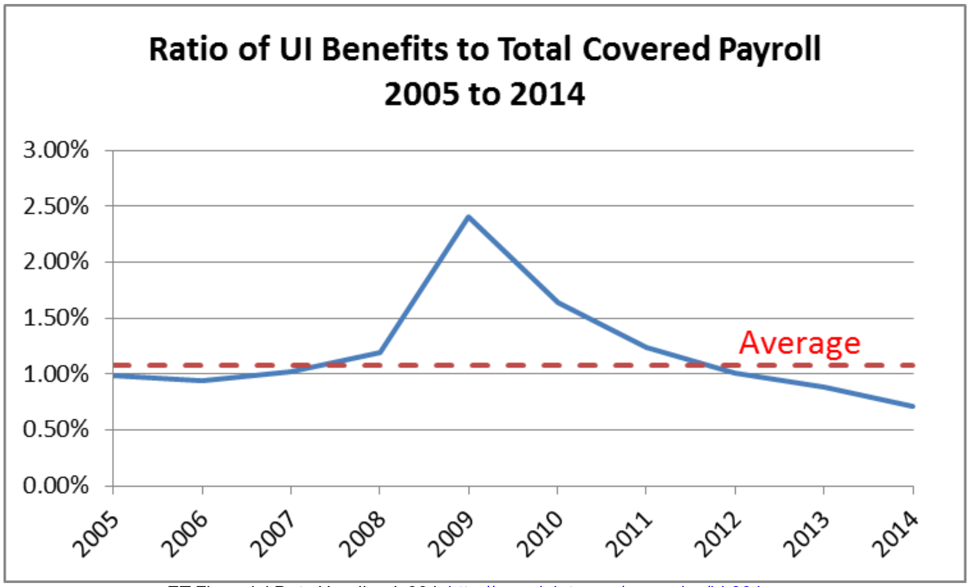
1. Low level of UI benefits paid due to a reduction in filing activity;
2. Increase in UI tax revenue as a result of the highest tax rate schedule being in effect and a decline in employer experience rating due to high benefit payments; and
3. FUTA tax credit reduction.

[8] Estimates of the multiplier for UI benefits during the Great Recession range from 1.6 (The Testimony of Mark Zandi Chief Economist, Moody's Analytics Before the House Budget Committee "Perspectives on the Economy".) to 2.0 (IMPAQ International, The Role of Unemployment Insurance as an Automatic Stabilizer during a Recession by Wayne Vroman).

[9] Additional weeks of these benefits were paid under Emergency Unemployment Compensation (EUC) pursuant to federal legislation and were funded with federal taxes.

Wisconsin UI Benefit Payments

UI benefit payments were elevated through 2011 and fell to a more normal level in 2012. In 2013 UI benefit payments fell to an amount below average and were substantially below average in 2014. The low level of UI benefit payments reduced expenditures from the UI Trust Fund.



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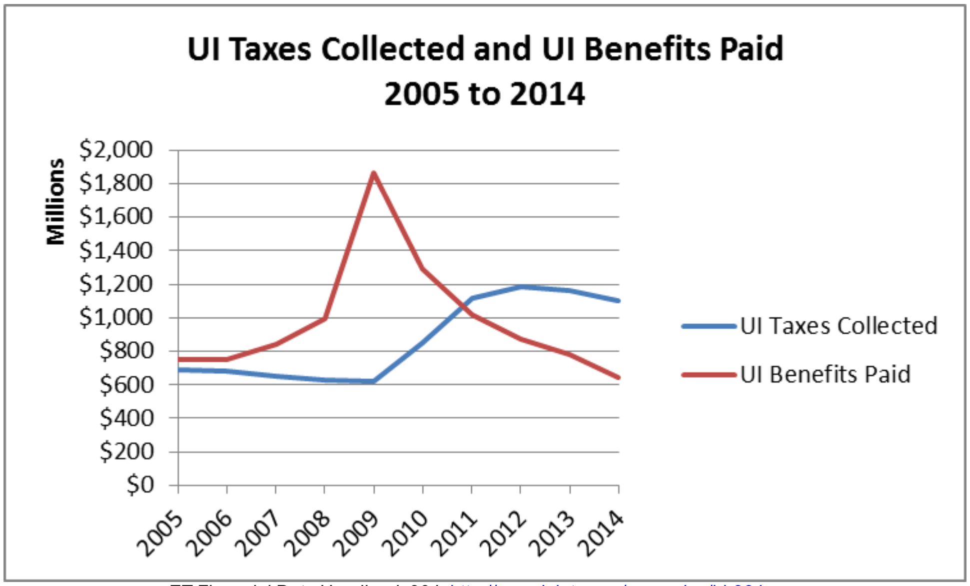
UI Tax Revenue

While UI benefit payments declined rapidly, UI tax revenue also declined but at a slower rate. Prior to the pandemic, the UI Trust Fund balance had increased as the net positive difference between taxes and benefits had grown.



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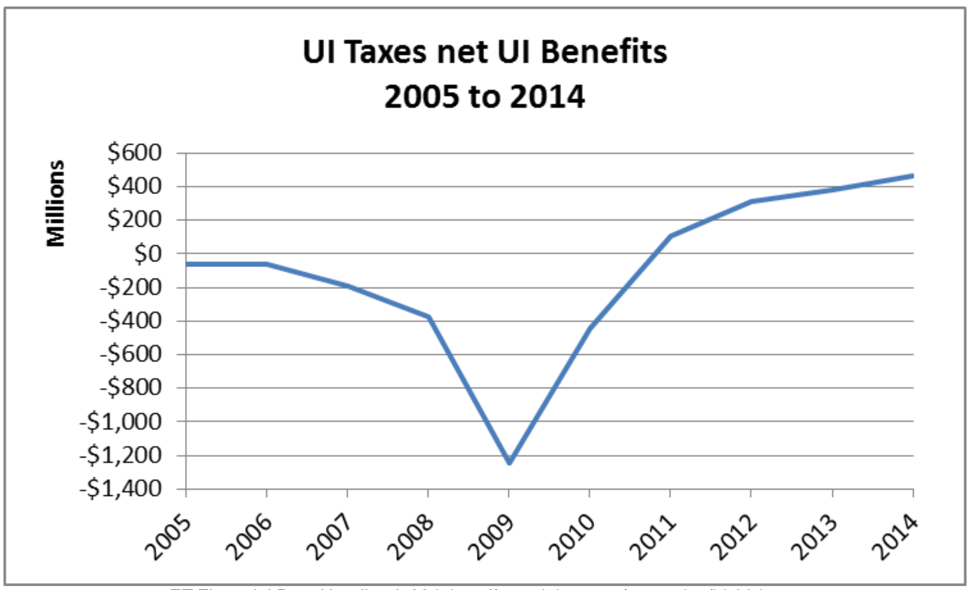

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FUTA Tax Credit Reduction

As described in Section 1, the Federal Unemployment Tax (FUTA) credit is reduced in states that borrow from the U.S. Treasury at a rate based on the number of years a state has borrowed. Employers in Wisconsin had credit for their FUTA tax reduced, leading to higher federal unemployment tax bills. The funds the federal government collects are used to reduce the state's debt. The FUTA credit reduction experienced by Wisconsin employers added approximately $292 million to the UI Trust Fund. Without the revenue from the FUTA credit reduction, the UI Trust Fund would have remained negative until first quarter receipts at the end of April 2015.

Cost of Wisconsin UI Borrowing during and after the Great Recession

Borrowing to pay UI benefits has costs associated with it that are borne by covered employers and other Wisconsin taxpayers. As mentioned above, the reduction in employers' FUTA credit increased federal UI taxes by $291 million from 2012 to 2014. There are two details about the FUTA tax increase that differentiates it from state UI taxes. First, it is a flat wage tax, meaning the tax rate is not experience rated. Employers are taxed at the same rate no matter how much or how little they have used the UI system in the past. Second, the FUTA tax does not affect future tax rates.

The other large borrowing cost was interest payments on the federal loans. In total, UI Trust Fund borrowing accumulated $103 million in interest costs. Of the interest costs, $78 million was paid by employers through the Special Assessment for Interest (SAFI). The remaining $25 million was paid with Wisconsin General Purpose Revenue (GPR) funds. Interest rates during this recession were low; however, low interest rates do not accompany every recession. The 1982 recession had very high interest rates. In the future it is possible the interest cost could be much higher if interest rates are higher.

Direct Costs of Wisconsin UI Borrowing during and after the Great Recession (Millions of $)

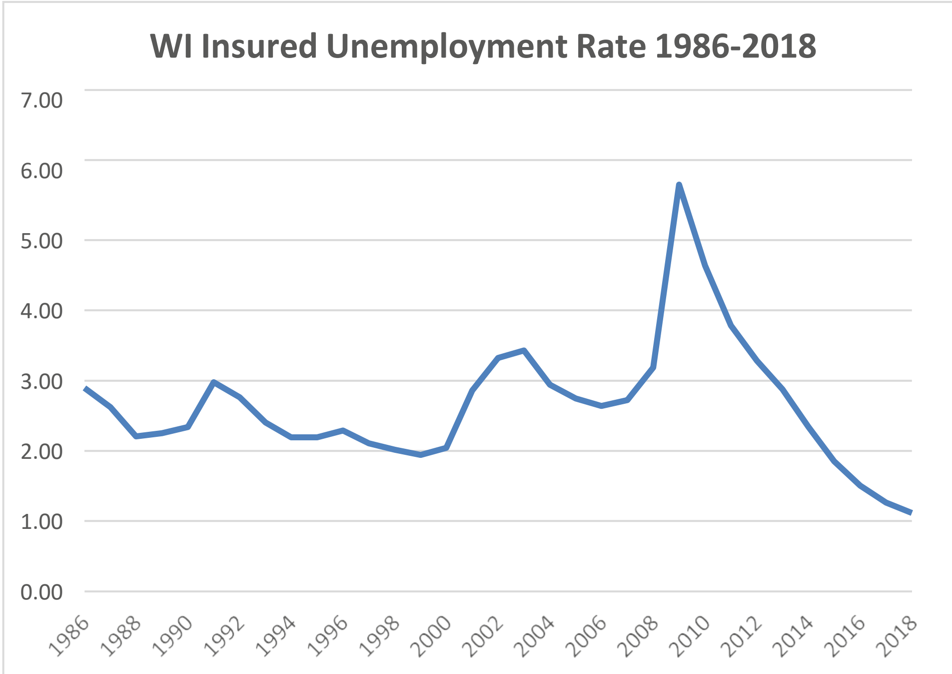
	2011	2012	2013	2014	**Total**
FUTA Credit Reduction		$47	$96	$148	**$291**
UI Trust Fund Loan Interest Paid Via SAFI	$42	$36			**$78**
UI Trust Fund Loan Interest Paid Via GPR			$19	$6	**$25**
Total Borrowing Costs					**$394**
Total Costs Paid by Employers					**$369**

Wisconsin UI Tax Data

Wisconsin UI Benefit Payments post Great Recession

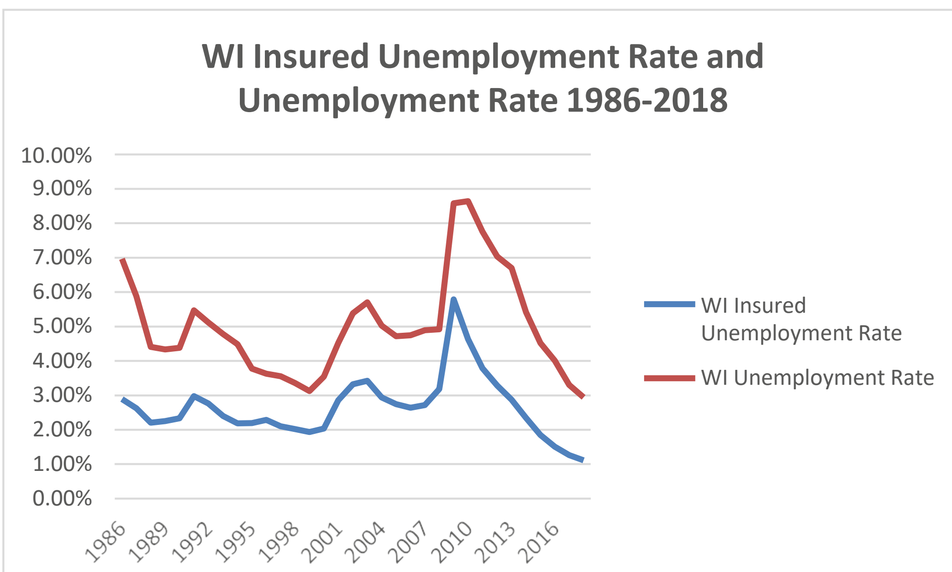
UI benefit payments have continued at historically low levels since the end of the Great Recession. There are two complementary reasons for this decline in benefit payments; a decline in unemployment claims, and the value of unemployment benefits relative to wages.

The decline in unemployment claims is illustrated by the insured unemployment rate declining to levels that have not been experienced in the modern UI system. The insured unemployment rate is the ratio of the UI claims to covered employment, so it represents the percent of covered employment that is collecting UI benefits.



U.S. Employment and Training Administration, Insured Unemployment Rate in Wisconsin [WIINSUREDUR], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/WIINSUREDUR

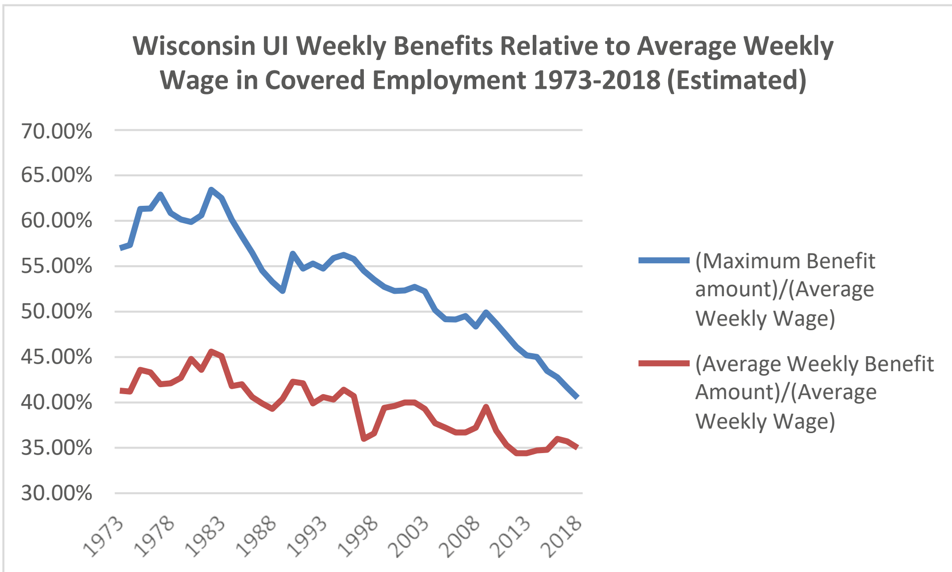
This decline in claim activity is even more pronounced when compared to the overall unemployment rate over the same period. Unemployment rates for the years immediately prior to the pandemic were very similar to rates reported in the late 1990s, but the rate of unemployment claims were approximately half of what occurred during that period.



U.S. Employment and Training Administration, Insured Unemployment Rate in Wisconsin [WIINSUREDUR], U.S. Bureau of Labor Statistics, Unemployment Rate in Wisconsin [WIUR], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/

Prior to the pandemic, there had been a break in the historic relationship between unemployment and unemployment claims. If UI benefit claims following the Great Recession had been closer to historic normal claim levels, even with the lower unemployment rate, unemployment benefit payments would be expected to be $175 million to $250 million more per year. This equates to about $460 million to $675 million of the increase in the UI Trust Fund balance since 2015.

The second reason is less of a break in recent UI history and more of a result of a long-run pattern in UI benefits. Over the last few decades, the value of UI benefits has not kept pace with growth in wages.



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As the chart above illustrates, there has been a constant decrease in the maximum benefit rate relative to the average weekly wage. From the end of the Great Recession forward, there has been a sharp decline in the replacement rate of the UI weekly benefit rate. As this ratio falls the value of the UI benefit, both in supporting worker households and supporting the economy during downturns, falters.

From 1992 to 2003, the maximum weekly benefit rate increased each year. Starting in 2003, the rate of increase slowed but there were still regular increases until 2009. Starting in 2009, the maximum weekly benefit rate stalled at $363 for 5 years. In 2014 it increased to $370, where it has remained. All maximum weekly benefit amounts since 1992 are listed in Appendix D.

If the UI benefit rate was closer to the long-term replacement rate of 40 percent of average wages, UI benefit payments would have averaged $100 million more per year in 2017 and 2018, with $94 million being charged to the UI Trust Fund. This likely would have led to increased UI tax revenue of approximately $31 million.

In summary, the rapid growth of the UI Trust Fund can be attributed to the historically low UI benefit payments that occurred prior to the pandemic. Historically low benefit payments added approximately $525 to $600 million to the UI Trust Fund over the reporting period of 2017 to 2018.

Appendix B: Wisconsin Unemployment Statistics 1992 to 2020 Wisconsin Unemployment Reserve Fund[10]

(Amounts in Millions of $)
Wisconsin Unemployment Insurance Division Data

	Revenues						Expenses			
Year	Taxes	Interest and Other	Reed Act	Federal Distributions	FUTA Credit Reduction	Total Receipts	Benefit Expenses	Reed Act Expenses	Total Expenses	**Ending Balance**
1992	358	90				448	437		437	**1,185**
1993	391	85				476	394		394	**1,267**
1994	418	87				505	377		377	**1,395**
1995	421	98				519	418		418	**1,496**
1996	415	102				517	471		471	**1,542**
1997	419	105				524	445		445	**1,621**
1998	414	110				524	452		452	**1,693**
1999	431	113				544	466		466	**1,771**
2000	442	117				559	515		515	**1,815**
2001	432	110				542	791		791	**1,566**
2002	430	88	166			684	949		949	**1,301**
2003	497	65				562	932		932	**931**
2004	596	48				644	795	3	798	**777**
2005	687	42				729	752	4	756	**750**
2006	684	39				723	753	3	756	**717**
2007	649	37				686	845	4	849	**554**
2008	628	21				649	997	23	1,020	**183**
2009	634	1		144		779	1,873	3	1,876	**(915)**
2010	850					850	1,288	(5)	1,283	**(1,348)**
2011	1,115					1,115	1,012	(6)	1,006	**(1,239)**
2012	1,187				47	1,234	876	(5)	871	**(876)**
2013	1,172				96	1,268	793		793	**(401)**
2014	1,107	2			148	1,257	642		642	**214**
2015	1,048	13			1	1,062	536		536	**741**
2016	852	22				874	458		458	**1,157**
2017	691	30				721	408		408	**1,470**
2018	598	37				635	376		376	**1,729**
2019	557	45				602	372		372	**1,959**
2020	501	37		69		607	1,450		1,450	**1,116**

[10] Ending reserve fund balances exclude monies set aside under the American Recovery and Reinvestment Act (ARRA) and Short-Time Compensation (STC) and Emergency Administration Grant (EUISAA).

Appendix C: Wisconsin Unemployment Statistics 1992 to 2020 Usage of Wisconsin Unemployment Insurance

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Year	First Payments	Weeks Compensated	Duration	Insured Unemployment Rate	Maximum Weekly Benefit Amount
1992	215,669	2,978,897	13.8	2.7	$240
1993	197,203	2,608,193	13.2	2.3	$243
1994	191,952	2,443,988	12.7	2.1	$256
1995	213,327	2,518,458	11.8	2.1	$266
1996	234,291	2,791,774	11.9	2.3	$274
1997	210,504	2,857,991	13.6	2.1	$282
1998	219,771	2,726,008	11.5	2.0	$290
1999	209,497	2,473,569	11.8	1.9	$297
2000	230,458	2,582,328	11.2	2.0	$305
2001	327,155	3,762,208	11.5	2.9	$313
2002	328,083	4,363,674	13.3	3.4	$324
2003	315,409	4,346,562	13.8	3.4	$329
2004	269,306	3,759,400	14.0	2.9	$329
2005	262,724	3,500,388	13.3	2.7	$329
2006	258,845	3,421,577	13.2	2.6	$341
2007	279,814	3,678,462	13.1	2.8	$355
2008	321,164	4,225,212	13.2	3.2	$355
2009	447,970	7,605,705	17.0	6.1	$363
2010	324,879	5,770,210	17.8	4.7	$363
2011	283,624	4,588,323	16.2	3.7	$363
2012	232,949	3,926,156	16.9	3.3	$363
2013	214,125	3,407,788	15.9	2.9	$363
2014	175,853	2,698,223	15.3	2.3	$370
2015	152,641	2,152,899	14.1	1.8	$370
2016	133,083	1,716,415	12.9	1.5	$370
2017	115,199	1,494,556	13.0	1.3	$370
2018	106,770	1,352,076	12.7	1.1	$370
2019	108,010	1,305,850	12.1	1.1	$370
2020[11]	396,187	6,007,541	15.2	5.2	$370

[11] 2020 data is not finalized.

Appendix D: Wisconsin Unemployment Statistics 1992 to 2020 Total Covered Employment, Average Weekly Wage, Average Weekly Benefit Amounts and Maximum Weekly Benefit Amount

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Year	Covered Employment	Average Weekly Wage	Average Weekly Benefit	Maximum Weekly Benefit Amount
1992	2,253,976	$434	$175	$240
1993	2,308,361	$444	$183	$243
1994	2,384,509	$458	$188	$256
1995	2,449,029	$473	$199	$266
1996	2,493,484	$491	$202	$274
1997	2,550,955	$518	$188	$282
1998	2,602,559	$542	$215	$290
1999	2,661,710	$564	$223	$297
2000	2,703,542	$584	$233	$305
2001	2,686,548	$598	$242	$313
2002	2,660,922	$614	$248	$324
2003	2,657,571	$630	$252	$329
2004	2,684,896	$656	$251	$329
2005	2,714,477	$669	$253	$329
2006	2,737,431	$694	$259	$341
2007	2,751,715	$717	$267	$355
2008	2,743,267	$735	$273	$355
2009	2,614,062	$728	$288	$363
2010	2,600,207	$745	$275	$363
2011	2,634,447	$766	$270	$363
2012	2,664,284	$788	$271	$363
2013	2,691,719	$803	$276	$363
2014	2,728,833	$823	$285	$370
2015	2,765,376	$851	$296	$370
2016	2,772,828	$866	$312	$370
2017	2,234,432	$889	$317	$370
2018	2,792,000	$914	$320	$370
2019	2,851,918	$967	$325	$370
2020[12]	2,854,552	$927	$295	$370

[12] 2020 data is not finalized.

Appendix E: Maximum Weekly Benefit Rate by State

USDOL Comparison of State Unemployment Laws (2019)

State	Maximum Weekly Benefit Rate	Maximum Weekly Benefit Rate with Dependent Allowance	State	Maximum Weekly Benefit Rate	Maximum Weekly Benefit Rate with Dependent Allowance
AL	$265	$265	NE	$426	$426
AK	$370	$442	NV	$450	$450
AZ	$240	$240	NH	$427	$427
AR	$451	$451	NJ	$696	$696
CA	$450	$450	NM	$492	$492
CO	$597	$597	NY	$450	$450
CT	$631	$706	NC	$350	$350
DE	$330	$330	ND	$595	$595
DC	$438	$438	OH	$443	$598
FL	$275	$275	OK	$520	$520
GA	$330	$330	OR	$624	$624
HI	$630	$630	PA	$561	$569
ID	$414	$414	PR	$133	$133
IL	$471	$648	RI	$566	$707
IN	$390	$390	SC	$326	$326
IA	$467	$573	SD	$402	$402
KS	$474	$474	TN	$275	$275
KY	$502	$502	TX	$507	$507
LA	$221	$284	UT	$560	$560
ME	$431	$646	VT	$498	$498
MD	$430	$430	VA	$378	$378
MA	$795	$1,192	VI	$552	$552
MI	$362	$362	WA	$749	$749
MN	$717	$717	WV	$424	$424
MS	$235	$235	**WI**	**$370**	**$370**
MO	$320	$320	WY	$489	$489
MT	$527	$527			
National Average				**$453**	**$480**

Appendix F: Wisconsin Unemployment Statistics 1992 to 2020 Taxable UI Benefits and UI Taxes as a Percentage of Total Wages in Taxable Covered Employment

(Amounts in Millions of $)
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Year	Total Wages in Taxable Covered Employment	Taxable Benefits as a Percent of Total Wages	Taxes as a Percent of Total Wages
1992	$41,212	1.06%	0.86%
1993	$43,218	0.91%	0.90%
1994	$46,208	0.81%	0.90%
1995	$49,104	0.85%	0.85%
1996	$51,877	0.91%	0.80%
1997	$55,968	0.79%	0.75%
1998	$59,724	0.74%	0.69%
1999	$63,497	0.72%	0.67%
2000	$66,771	0.76%	0.66%
2001	$67,452	1.17%	0.63%
2002	$68,151	1.39%	0.63%
2003	$69,588	1.34%	0.71%
2004	$73,323	1.09%	0.81%
2005	$75,730	0.99%	0.91%
2006	$79,249	0.95%	0.86%
2007	$82,118	1.02%	0.79%
2008	$83,328	1.20%	0.75%
2009	$77,419	2.41%	0.80%
2010	$78,617	1.64%	1.08%
2011	$82,114	1.23%	1.36%
2012	$85,601	1.02%	1.38%
2013	$88,438	0.89%	1.32%
2014	$92,088	0.70%	1.19%
2015	$96,775	0.54%	1.07%
2016	$98,756	0.45%	0.85%
2017	$103,271	0.39%	0.66%
2018	$105,552	0.36%	0.54%
2019	$111,976	0.33%	0.49%
2020[13]	$106,427	1.36%	0.47%

[13] 2020 data is not finalized.

Appendix G: Wisconsin Unemployment Statistics 1992 to 2020 UI Benefits Directly Charged to the UI Balancing Account (Excludes Charges for the -10 percent Write-Off[14])

(Amounts in Millions of $)

Wisconsin Unemployment Insurance Division Data

Year	Quit	Misconduct	Substantial Fault	Suitable Work	PTNC Continued Employment	Waiver Agency Error	2nd Benefit Year	Temporary Supplemental Benefits	Training Benefits	Subtotal Bal Acct Direct Charges	Total UI Benefit Charges
1992	50.8	1.2		0.2	0.9	----	----	----		53.1	437.5
1993	47.7	1.1		0.2	0.9	----	----	----		49.9	393.9
1994	50.4	1.1		0.2	1.0	0.1	----	----		52.8	377.1
1995	61.0	1.4		0.2	1.1	0.2	----	----		63.9	418.2
1996	69.1	1.6		0.2	2.3	0.3	3.0	----		76.5	471.2
1997	67.6	1.8		0.3	3.7	0.3	12.1	----		85.8	444.9
1998	68.7	1.9		0.3	3.7	0.2	10.4	----		85.2	452.0
1999	73.4	2.0		0.3	3.6	0.2	10.4	----		89.9	466.2
2000	81.2	2.3		0.3	3.6	0.2	11.6	----		99.2	515.6
2001	116.7	3.4		0.5	4.8	0.2	16.6	----		142.2	790.7
2002	111.8	3.8		0.5	5.9	0.6	27.7	10.8		161.1	949.3
2003	98.8	3.6		0.5	6.8	0.3	30.8	-0.2		140.6	931.8
2004	84.7	2.8		0.5	6.3	0.4	24.7	----		119.4	795.2
2005	89.4	2.9		0.5	5.2	0.4	19.8	----		118.2	752.4
2006	94.0	3.2		0.4	5.2	0.3	18.5	----		121.6	752.6
2007	104.4	3.9		0.5	5.3	0.3	19.3	----		133.7	845.2
2008	112.4	4.2		0.4	6.1	0.4	24.9	----		148.4	996.8
2009	167.7	7.2		0.5	10.5	0.5	49.7	----		236.1	1,873.6
2010	85.7	4.6		0.3	11.9	0.6	54.5			157.6	1,288.5
2011	82.7	4.1		0.3	9.1	0.5	33.4		16.3	146.4	1,011.7
2012	85.9	3.0		0.4	7.2	0.5	24.2		18.5	139.7	875.8
2013	82.0	3.4		0.3	5.4	0.4	21.7		15.0	128.2	792.8
2014	69.4	3.1	0.4	0.3	4.7	0.1	17.1		8.1	103.2	642.5
2015	64.3	2.8	1.0	0.3	3.8	0.4	12.1		6.2	90.9	535.3
2016	51.8	2.4	0.8	0.2	3.3	0.1	9.7		5.1	73.4	457.4
2017	46.7	2.3	0.5	0.1	3.1	0.1	8.1		3.9	64.8	408.0
2018	44.9	2.2	0.2	0.1	2.8	0.1	6.8		3.0	60.1	375.9
2019	45.5	2.4	0.4	0.1	2.4	0.1	6.8		4.4	62.0	372.3
2020	202.4	5.5	4.8	0.1	9.5	0.3	15.8		5.3	243.7	1,450.1

[14] Does not include noncharging for Act 185 and Act 4. Those amounts will not be known until after the recharging effort is completed in the upcoming months.

Appendix H: Explanation of UI Benefit Charges to the UI Balancing Account

Standard Charges to the UI Balancing Account

Write-Offs
These are different from other UI Balancing Account charges since these are first charged to an employer's account. When the UI Division calculates the Reserve Fund Percentage for basic tax purposes, the Reserve Fund Percentage is limited to -10 percent and charged benefits that would decrease the Reserve Fund Percentage below that point are written-off. These written-off benefit charges are recharged to the UI Balancing Account. In 2020, the second largest charge to the UI Balancing Account comes from write-offs. This accounted for $21.4 million in charges to the UI Balancing Account. All other charges to the UI Balancing Account in 2020 totaled $243.7 million. Thus, write-offs represent approximately 8.1% percent of all charges to the UI Balancing Account in 2020.

Quits
When an employee quits work but becomes eligible for benefits, instead of charging the former employer, those benefits are charged to the UI Balancing Account. The idea is to not hold employers responsible when a claimant collects UI benefits due to no attributable action on behalf of the employer. A quit can occur if the claimant falls under one of the quit exceptions enumerated in statute or more likely if the claimant quits a job to take a new one and then is subsequently laid off. In 2020 quits are the largest category of charges against the UI Balancing Account.

Misconduct
This situation occurs when an employer terminates an employee for misconduct connected with employment. The employee then finds employment at a second employer. This second employer then lays off the employee (i.e. the employee is not terminated for cause from the second employer). The claimant's benefit amount is based on his work history from both employers, assuming the claimant's new work history is sufficient enough to requalify for benefits. Wages from the terminated with-cause employer are removed from consideration when calculating a claimant's maximum benefit amount. These wages however, will be used to determine the weekly benefit amount a claimant can receive. Any portion of the pro-rated benefit amount that comes from the terminated with-cause employer will be charged to the UI Balancing Account.

Substantial Fault
This is similar to what occurs under misconduct. If an employee who is terminated with justifiable cause under substantial fault finds work with another employer and is then laid off, he may requalify for benefits. If the employee does qualify for benefits, wages from the terminated with-cause employer are used both in calculating the maximum benefit amount and the weekly benefit rate. The pro-rated portion of benefits assigned to the terminated with-cause employer is instead charged to the UI Balancing Account.

Continued Employment
The typical case for this occurs when a claimant is working for two employers, either both part time, or one full time and one part time. The claimant is laid off from one employer but continues working at the second employer. The claimant files a claim based upon the reduction in wages earned. These benefits will be based upon the entire earnings of the claimant but the current employer, who

did not reduce the claimant's wages, will not be charged for their benefit share; instead they are charged to the UI Balancing Account.

Second Benefit Year
This occurs when an employer was charged for a claimant's benefits in the first benefit year, and wages paid by the employer are part of a second benefit year for a claimant, but the employer has not employed the claimant for over a year. This can occur because benefits are based upon the first 4 of the previous 5 quarters. The 5th quarter could be part of a future benefit claim. That employer would not be charged for the fifth quarter, but those benefits would instead be charged to the UI Balancing Account.

Training Benefits
UI benefits paid to claimants participating in department approved training programs are charged to the UI Balancing Account. The Training Benefits category includes benefits paid to claimants who were enrolled in the Extended Training program. The Extended Training program was ended by the Wisconsin Legislature in 2013, so no future charges for that program are expected.

Non-standard Charges to the UI Balancing Account

Temporary Supplemental Benefits
In 2002, special state Temporary Benefits were charged to the UI Balancing Account and similar programs in the future could also be changed to the UI Balancing Account.

Wisconsin Act 185 Pandemic Benefit Non-Charging
Under 2019 Wisconsin Act 185 and 2021 Wisconsin Act 4, the Department of Workforce Development was required to charge unemployment benefits for initial claims related to the public health emergency declared by Executive Order 72 to the UI Balancing Account of the UI Trust Fund for taxable employers.