

UNEMPLOYMENT INSURANCE ADVISORY COUNCIL

Meeting Minutes

Offices of the State of Wisconsin Department of Workforce Development
201 E. Washington Avenue, GEF 1, Room H206
Madison, WI

May 24, 2016

The meeting was preceded by public notice as required under Wis. Stat. §19.84.

Members Present: Janell Knutson (Chair), Scott Manley, Mike Gotzler, Ed Lump, John Mielke, Michael Crivello, Shane Griesbach, Terry Hayden, and Mark Reihl. Earl Gustafson attended via telephone

Department Staff Present: Joe Handrick, Ben Peirce, Andy Rubsam, Andrew Evenson, Tyler Tichenor, Tom McHugh, Pam James, Amy Banicki, Janet Sausen, Robert Usarek, Mathew Aslesen, Karen Schultz, and Robin Gallagher

Members of the Public Present: Brian Dake (Wisconsin Independent Businesses, Inc.), Chris Reader (Wisconsin Manufacturer & Commerce), Kevin Magee (Legal Action of Wisconsin), Mary Beth George (Rep. Sinicki's Office), Maria Gonzalez Knavel (Labor and Industry Review Commission General Council) Erika Strebel (Daily Reporter), and Kerri Poulson (ABR Employment Services)

1. Call to Order and Introduction

Ms. Knutson called the Unemployment Insurance Advisory Council (Council) to order at 10:05 a.m. in accordance with the Wisconsin's Open Meetings law. Council members introduced themselves and Ms. Knutson recognized Mr. Gustafson attending via teleconference, Maria Gonzalez, General Counsel for the Labor and Industry Review Commission and welcomed everyone in attendance.

2. Approval of Minutes of the April 28, 2016 Council meeting

Moved by Mr. Griesbach, second by Mr. Gotzler, to approve the April 28, 2016 meeting minutes. The motion carried unanimously.

3. Update on UI reserve

Mr. McHugh and Mr. Usarek provided an update to the Council on the Unemployment Insurance (UI) Reserve Fund.

Tax Receipts: The first quarter tax receipts were due April 30. This year, tax receipts for the first four months totaled \$498.1 million, down \$116.3 million from 2015 (-19%). This reduction is due in part to the department switching from Schedule A (the highest rate schedule that was in

place from 2011 to 2015) to Schedule B. In addition, lower tax rates based on employer's experience ratings contributed to the decline in receipts.

Benefits Paid: From January 1 to April 30, benefits paid totaled \$221.9 million, a 17% decrease from 2015 when benefits paid totaled \$267.7 million. Mr. McHugh reviewed the number of initial claims for Wisconsin. The semi-annual average for Wisconsin initial claims filed has not been this low since 1989 while U.S. initial claims have not been this low since 1973.

UI Trust Fund balance: The UI Trust Fund balance as of April 30 is over \$1 billion, an 80% increase from last year this time. It is anticipated that as of June 30, the UI Trust Fund balance will exceed \$900 million, which will result in the department moving to Tax Schedule C in 2017. Tax Schedule A is the highest tax schedule which was in place from 2011 to 2015 when the Trust Fund had a balance of less than \$300 million. The department moved to Tax Schedule B in 2016.

Impact of Schedule Changes: Mr. McHugh reported on the financial impact of moving from Schedule B to Schedule C. For all employers, the basic rate does not change; however, the solvency rate does. The solvency rate decreases from Schedule B to Schedule C for almost all employers, including employers that are overdrawn (except for employers in the highest 4 tax rates). For example, a small employer with a tax rate between 4-6% with taxable wages of \$14,000 saves \$28 per employee (a 0.20% decrease). No overdrawn employers, small or large, saw any tax benefits this year moving from Schedule A to Schedule B. There are approximately 10,000 small employers whose tax rate will decrease from 0.05% to 0.00% tax rate. The new employer rate, for small employers will decrease from 3.25% to 3.05% next year. For large employers that are not overdrawn, the typical decrease is approximately \$21 per employee. For large employers that are not greatly overdrawn, the average decrease is approximately \$28 per employee. The new employer rate for large employers will decrease from 3.4% to 3.25%. In moving from Schedule A to Schedule B, there were no tax savings if an employer was overdrawn.

UI Trust Fund Projection: Mr. Usarek reported on the UI Trust Fund projection for 2016-2019. The projection is based on the path of UI benefits and the economic growth estimates of the Congressional Budget Office. Growth is expected to be moderate through the projection period. Given the current unemployment rate, it would be expected that benefits would be greater than what they are, rather than being at a historic low. It is expected that over time the benefit projection would return to what is typically seen with an unemployment rate of 4.5% to 5%, which is the reason benefits slowly rise over the next few years in the projection. Employees in construction and manufacturing tend to have more temporary layoffs due to weather or production demands, whereas in the healthcare industry, employees in this field do not collect benefits as often.

Tax revenues will decline each year due to a combination of employers paying lower rates because their experience ratings are increasing, and the department anticipating moving to tax Schedule C next year and Schedule D in 2018. The UI Trust Fund balance is expected to peak in 2017, when benefit payments are expected to start increasing. In 2018, it is expected that

benefits paid will exceed tax revenue. Tax rates will not support more than \$550 million paid out in benefits each year once the department moves to Schedule D.

4. Update on Drug Testing Rule

Mr. Rubsam reported the emergency rule for pre-employment drug testing is now in effect and the department is currently drafting the hearing draft for the permanent rule. Ms. Knutson stated that the earliest date the department could hold a public hearing on the rule is June 28. The public hearing will be scheduled and held on both the emergency and permanent rule after that date and all comments received will be compiled and provided to the Council.

5. Research Requests

Ms. Knutson stated that at the last meeting, the Council was provided some preliminary information on the number of work search waivers that were granted. This information identified the number of people required to perform a work search during comparative weeks in 2014-2015 and 2015-2016, and provided the total number of individuals granted work search waivers and of those, how many work search waivers were granted due to expected recalls.

At the last meeting, Mr. Manley requested a breakdown of each category in which a work search waiver was granted. Ms. Knutson reported that the number of work search waivers granted decreased in all areas comparing winter months in 2014-2015 and 2015-2016. The department will continue to gather information on work search waivers. Second quarter wage information, which will likely be available the end of August, will be analyzed and the department will start to compile data to provide statistical information to the Council.

Mr. Manley stated that it appears there was a significant reduction in the percentage of waiver for expected recalls from 2014-15 to 2015-16, but a 50% increase in waivers granted for individuals working part-time. Ms. Knutson responded that this may be due to an increase of individuals obtaining part-time work or a reflection of an employer cutting hours of an individual from full-time to part-time status.

Mr. Lump asked how the information reflects that an employee that is laid off, then called back to work for a few weeks by that employer, then is laid off again. Ms. Knutson responded that it is not possible to determine this information with the codes used within the department's database system and therefore, that information is not known.

Mr. Lump requested information on the types of calls the department receives from employers on work search waivers. Mr. Handrick stated that staff compiled some anecdotal information, which will be provided to Council.

6. Correspondence

A letter was received by John Erickson concerning reporting requirements for work search. Mr. Erickson's correspondence was referred to the department's adjudication section for review.

7. Public Hearing Date

Ms. Knutson stated the department typically holds a public hearing on UI law changes in November. The Worker's Compensation Division usually holds their public hearing in December, but this year it has been scheduled for November 15. In the past, the public hearings were held from mid-afternoon until 4:30 with a break scheduled and then open again for an evening session. In the past, only one or two people have shown up for the evening sessions and came directly after work. Ms. Knutson suggested that the public hearing start in mid-afternoon and run until 6:00 p.m., which will also reduce operational costs. If acceptable, the Council could schedule the public hearing on the same date as the Council meeting, November 17. The Council meeting could start a little later than normal, ending shortly before the public hearing. The Council agreed to hold the Council meeting on the same date as the public hearing.

The public hearing will be broadcast via webcast in different areas of the state for individuals to participate. In addition, written comments are accepted via email and postal mail.

8. Future Management & Labor Proposals for Agreed Bill

Although the Council is not prepared to discuss any proposals at this time, Ms. Knutson provided an opportunity for the Council to caucus today in preparation of the next agreed bill cycle since the next meeting will not be until September. The Council did not caucus.

9. Agenda Items for September Meeting

There will be no meetings in June, July or August. Any research requests or agenda items for the next meeting can be submitted at any time.

10. Adjourn

Motion by Mr. Manley, and second by Mr. Reihl to adjourn at 11:10 a.m. Motion carried unanimously.