Financial Outlook

Wisconsin
Unemployment
Insurance
Program

Report prepared for the Governor, Legislature and
Unemployment Insurance Advisory Council
(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 number of claims over the last two years due to 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 $4.67 billion to approximately 590,000 claimants. Of those benefit payments, $3.18 billion were not charged to Wisconsin's UI Trust Fund but instead were charged to 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). An additional federal program, Mixed Earner Unemployment Compensation (MEUC), was added in 2021.

In 2021, the Department paid fewer benefits than the historic high amount paid in 2020, but the $2.5 billion paid was still higher than any of the last 10 years prior. The federal government funded $1.8 billion of the $2.5 billion of benefits paid in 2021.

At the start of 2020, Wisconsin's UI Trust Fund was in a good position to weather the pandemic, with an Average High-Cost Multiple (AHCM) of nearly 1.0. The healthy Trust Fund account balance likely prevented Wisconsin from borrowing from the federal government to pay benefits during the COVID-19 pandemic. Twenty-three states borrowed federal funds to pay benefits in the last two years, with 10 states still repaying their federal loans as of the end of February 2022.

After the Department paid a record level of claims in 2020, the UI Trust Fund currently has an AHCM of approximately 0.5. The Trust Fund will need further growth to avoid borrowing federal funds to pay benefits during a future recession. At the end of 2021, the amount necessary for the Trust Fund to have an AHCM of 1.0 was estimated to be $2.1 billion.

The Wisconsin economy recovered quickly from the pandemic in the second half of 2021 with unemployment rates reaching record-lows by the spring of 2022. It is expected that UI benefit payments will continue to decline during the rest of 2022 due to continued low unemployment. UI benefit payments are expected to increase slightly in 2023 and 2024 due to increases in wages. The UI Trust Fund is expected to grow to just under $1.5 billion by the end of 2024.

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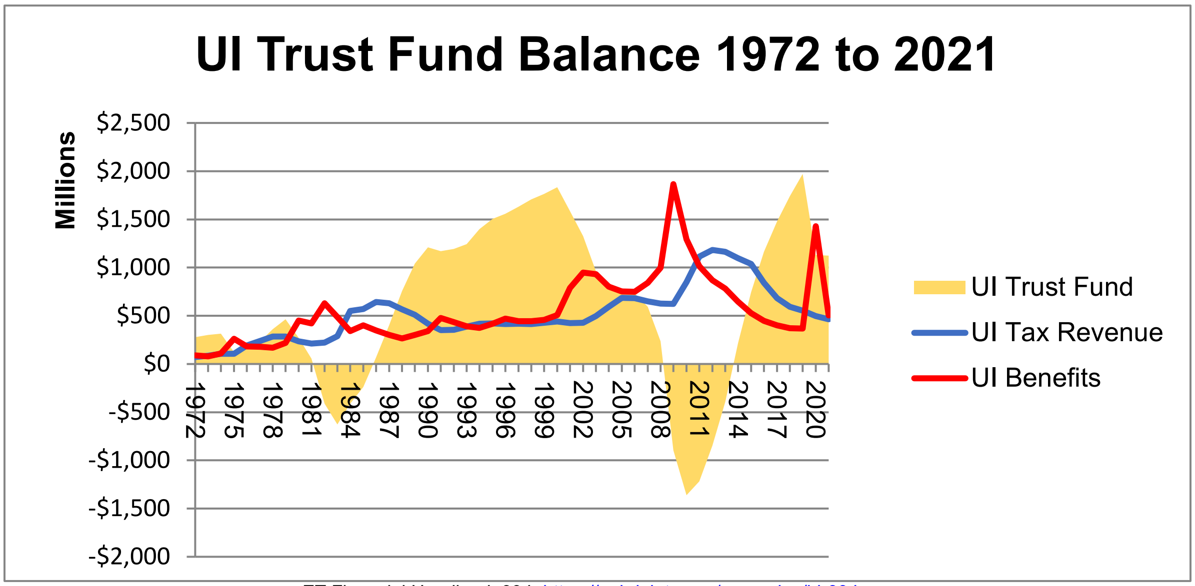
Introduction

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.

Unemployment benefits, which are funded by employer contributions, provide temporary economic assistance to Wisconsin's eligible workers during times of unemployment.



ET Financial Handbook 394, https://oui.doleta.gov/unemploy/hb394.asp

Before the COVID-19 pandemic, UI benefit payments had been historically low. However, with a rapid increase in UI benefit payments due to the pandemic, along with a decrease in tax contributions, the UI Trust Fund balance declined significantly. At the end of 2021, the UI Trust Fund had a balance of $1.016 billion.[1] This is a decrease of $33 million from the 2020 ending balance of $1.049 billion.[2] The UI Trust Fund balance peaked at $2.003 billion in October 2019.

1 This amount will differ from the DWD financial statement, which reflected a balance of $1.048 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 $13,629,290 of this balance is Emergency Unemployment Compensation Relief (EUR) reserved exclusively for funding 50% of the benefits paid for Reimbursable Employers for UI Weeks 12/20-14/21 and 75% of the benefits paid for reimbursable employers for UI Weeks 15/21-36/21 per § 2103 of the CARES Act, the Continued Assistance Act, and the American Rescue Act.

2 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 12/20-14/21 and 75% of the benefits paid for reimbursable employers for UI Weeks 15/21-36/21 per § 2103 of the CARES Act, the Continued Assistance Act, and the American Rescue Act.

Section 1 of this Financial Outlook provides the background on the Wisconsin UI Benefits and Financing System, while Section 2 provides the recent history of the UI Trust Fund.[3] Section 3 summarizes recent UI law changes and impacts on UI Financing, which may affect current and future UI benefits and tax revenues. Finally, Section 4 provides UI Trust Fund projections through the end of 2024.

[3] For history of the UI Trust Fund 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 wages, up to a maximum weekly benefit rate of $370, which is below the national average of $480 weekly. Wisconsin's maximum weekly rate is also below the average maximum weekly benefit rate of $531 in border states.[4] The maximum weekly benefit rate for all states is in Appendix E. In Wisconsin, a claimant may receive up to 26 weeks of regular UI benefits, which is consistent with the maximum duration for all but 10 states.

Covered Employers in the Unemployment Insurance System

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

Covered employers fall into two groups:

Taxable Employers

Nearly all 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 based on the employer's unemployment experience, 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 Trust Fund for the UI benefits paid.

Unemployment Insurance Taxes (Contributions)

UI benefits are financed by employer contributions (taxes) paid to the Wisconsin UI Trust Fund. The federal government also collects unemployment taxes to fund state administration of the UI program.

<u>State Taxes</u>

State UI taxes finance Wisconsin UI benefits. Employers are assessed UI taxes on each employee's wages up to the taxable wage base. Since 2013, the taxable wage base has been $14,000; an employer is assessed UI taxes on the first $14,000 in annual wages paid to each employee. The tax rate an

[4] Averages provided exclude benefit allowances for dependents. Complete data is provided in Appendix E.

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. The higher the UI Trust Fund balance, the lower the tax rate schedule in effect. Schedule D, the lowest rate schedule, was in effect in 2021 based on the 2020 UI Trust Fund balance. State legislation (2021 Wis. Act 59) set the rate schedule for 2022 and 2023 to Schedule D. The UI Trust Fund balance on June 30, 2023, will determine the rate schedule for 2024.

The second factor that impacts the tax rate an employer pays is the employer’s experience with the UI system. The more UI benefits paid to current or former employees of an employer, the higher the tax rate that employer will pay, assuming that the employer's payroll remains constant. Wisconsin employers who were not previously covered by 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, an employer's taxes are then based on their unemployment experience.

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 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. The solvency tax covers risk sharing among employers participating in the UI system.

Administrative and Program Integrity Assessment

Since 2017, there has been a separate assessment collected as part of the UI state tax that is used for program integrity purposes. The assessment amount is a flat 0.01% 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 total amount of tax an employer is required to pay.

UI Employer Account

The employer account measures an 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 basic taxes collected and the benefit payments charged over the 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. During the COVID-19 pandemic, many state and federal laws relieved employers of the burden of future tax rate increases due to the pandemic.

An employer's account balance on June 30th determines the employer's tax bracket, and ultimately the tax rate an employer pays during the next calendar year. The employer's account balance is compared to the employer's current taxable payroll.[5] 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 UI system for employers and is primarily funded by two sources.[6] The first source is the solvency tax paid by employers, which totals about $134.7 in 2021. The second source is interest earned on the UI Trust Fund, which was about $20 million in 2021.

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: write-offs, quits, misconduct, substantial fault, continued employment, approved training, and second benefit year.[7] Laws passed related to the pandemic, 2019 Wisconsin Act 185 and 2021 Wisconsin Act 4, allowed for regular UI benefits related to the pandemic to be charged to the Balancing Account.

The UI Balancing Account represents the lifetime revenues credited and benefits charged to the account. The balance was negative $1.49 billion as of March 31, 2022, which means the solvency taxes and interest are insufficient to cover charges against the UI Balancing Account.

Federal Unemployment Taxes (FUTA)

Employers participating in the UI system also pay federal unemployment taxes,[8] which pay for the following:

1. **Unemployment Insurance Administration**
   The administration of state UI programs is funded by FUTA tax revenue. The United States Department of Labor (US-DOL) determines the amount of administrative grant funding available to each state. Receipt of federal grant funds requires states' administration of unemployment programs to substantially comply with federal requirements and states' unemployment laws to conform to federal UI laws.

2. **Extended Benefits (EB) and Emergency Unemployment Compensation (EUC)**
   Wisconsin qualified for the EB program for six months in 2020. 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 2020, all EB was fully federally-funded except for a small portion due to federal sequestration.

5 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.

6 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.

7 Full descriptions of these charges can be found in Appendix H.

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

Congress may authorize EUC payments, which has typically occurred during severe recessions. During the pandemic, Congress authorized Pandemic Emergency Unemployment Compensation (PEUC) and other emergency programs.

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. Unlike many other states, Wisconsin did not need to borrow funds during the recent pandemic.

Costs of Borrowing Federal Funds to Pay UI Benefits

FUTA Credit Reductions

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.

Special Assessment for Interest (SAFI)

Federal law prohibits using regular state UI taxes to pay interest on a federal loan to a state Trust Fund, so a separate funding source is needed. Wisconsin initially paid the interest charges on its federal loans through a special assessment on employers 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.[9]

[9] See Appendix A for the details of the cost of borrowing.

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.[10] This section focuses on the recent experience of the Wisconsin UI Trust Fund, beginning with 2019.

January 2019 through December 2021

The 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 benefit payments, 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 October 2019. At the time, the Average High-Cost Multiple (AHCM) of the Trust Fund was approaching 1.0, which is the US-DOL recommended level for trust fund solvency. At that level, the UI Trust Fund should be able to pay benefits at historically high benefit rates for a year without exhausting. Early in 2020, with the onset of the Coronavirus Pandemic, Wisconsin was able to pay benefits without borrowing.

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 UI Division had paid out approximately $4.67 billion to approximately 590,000 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. In 2021, $2.51 billion was paid in total benefits, including these various federal programs and state UI benefits. From the beginning of the pandemic through the end of 2021, $7.18 billion in benefits have been paid to approximately 677,000 claimants. Of the payments made, 30% was from the Wisconsin UI program and 70% was from federal programs.

During this time, many businesses were closed due to the public health emergency, thus reducing payrolls and, in turn, UI tax revenue. Overall, the UI Trust Fund ended 2020 with a balance of $1.049 billion and 2021 with a balance of $1.016 billion.[11]

Even though a large percentage of benefits were federally funded, the UI Trust Fund declined during the pandemic due to a large increase in regular state UI benefit payments and a reduction in UI tax revenue received because of employers' reduced payrolls. With an ending balance of $1.014 billion, the AHCM was at approximately 0.5 at the end of 2021. If Wisconsin were to face another recession, the UI Trust Fund would not be well-positioned to pay benefits and may need to borrow from the federal government.

Twenty-three states borrowed federal funds to pay unemployment benefits in the last two years, with 10 states still repaying their federal loans as of the end of February 2022.

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

10 See Appendix A for details on the modern history of the UI Trust Fund.
11 See footnotes 1 and 2.

employers, the Department charged non-federally funded benefits to the interest and penalty (I&P) appropriation. This treatment of claims charging applied to weeks of benefits starting with the week of March 15, 2020. Under 2021 Wisconsin Act 4, the relief of benefit charges for employers ended March 13, 2021.

Under Acts 185 and 4, claimants were 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.

The I&P appropriation liability for reimbursable employers totaled $69.9 million. This liability was paid in full in 2022. However, the I&P appropriation has a negative cash balance as of May 2022 of approximately $49.9 million, which is being brought into a positive condition using I&P revenues collected annually. Assuming revenue collections and annual expenditures continue at rates similar to prior years, bringing the negative cash balance to a positive condition will take approximately 20 years.

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

Wisconsin and the federal government took several emergency actions during the pandemic to alleviate the effect of the pandemic on employers and benefit claimants. All have now expired.

Federal law changes.

All temporary 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 have expired.

In addition, the Federal Emergency Management Agency provided LWA benefits also expired.

State law changes

There were two law changes that significantly impacted the UI Trust Fund since the April 2021 Financial Outlook was published. 2021 Wis. Act 58, the 2021-23 State Budget Act, provided $60 million to the Unemployment Division in each of the two fiscal years for the UI Trust Fund. 2021 Wis. Act 59, Unemployment Insurance Contribution Rates, retains Schedule D for 2022 and 2023 for contribution employers.

The UIAC agreed bill was enacted as 2021 Wis. Act 231. None of the provisions in Act 231 are projected to have a significant impact on the UI Trust Fund.

Act 231 provisions are summarized below.

Benefits changes

Effect of a Criminal Conviction
When the department refers matters for criminal prosecution, an administrative determination has usually already been issued. However, criminal prosecution may result in court-ordered restitution when the department has yet not issued an administrative determination that a debt is owed. Act 231 provides that final criminal conviction judgments are binding on criminal defendants for the purposes of related proceedings that arise under unemployment law.

Departmental Error
Under current law, the department waives the recovery of benefits that were erroneously paid if the overpayment was the result of departmental error, such as a computation error, misapplication or misinterpretation of law, or mistake of evidentiary fact. But an amendment, modification, or reversal of a department determination by an appeal tribunal, the Labor and Industry Review Commission, or a court is not departmental error for the purposes of waiving the overpayment. Act 231 amends the law to provide that an error made by an appeal tribunal is not “departmental error.”

Camp Counselor Exclusion
Federal unemployment law excludes the services of camp counselors from the definition of “employment” if certain criteria are met. Act 231 adds a corresponding exclusion to state law for private for-profit employers.

Tax Changes

Reimbursable Employer Debt Assessment Charging

When employers subject to reimbursement unemployment insurance financing (“self- insured”) are charged for benefits that are based on identity theft, the department restores those charges to the employers’ accounts from the Balancing Account. The 2015 – 2016 UIAC agreed bill (2015 Wis. Act 334) required that the department set aside $2 million in the Balancing Account, plus interest, to pay identity theft charges to reimbursable employers’ accounts.

Non-profit reimbursable employers may be subject to an annual reimbursable employer debt assessment (REDA) for payment of uncollectible benefit reimbursements due from other reimbursable employers no longer in business. Under current law, the REDA to recover uncollectible reimbursements must be at least $5,000 but no more than $200,000 and each non-profit employer assessed pays based on the employer’s payroll. Employers for whom the assessment would be less than $10 are not assessed, which usually results in about half of non-profit reimbursable employers being assessed the REDA.

Act 231 provides that a limited amount of the reimbursable employer identity theft fraud funds set aside in the Balancing Account will be made available to recover uncollectible reimbursements instead of assessing the REDA (or to reduce the amount of the REDA). This provides that the identity theft fraud funds may be used to pay the REDA only if the use of those funds would not reduce the balance of the funds below $1.75 million. Act 231 also increases the minimum amount of the REDA per employer from $10 to $20.

Fiscal Agent Election of Employer Status

Individuals who receive long-term health support services in their home through government-funded care programs are employers under Wisconsin’s unemployment insurance law. These employers receive financial services from fiscal agents, who directly receive and disperse government program funds. The fiscal agent is responsible for reporting employees who provide services for the employers to the department, and for paying unemployment tax liability on behalf of the employer. Under current law, if the worker is a certain class of family member of the person receiving care, the worker is ineligible for unemployment benefits when the employment relationship ends.

Act 231 permits private fiscal agents (not government units) to elect to be the employer of workers who provide care services under Wisconsin Statutes Chapters 46, 47, and 51. The fiscal agent would be required to inform the recipient of care of the election and the fiscal agent would need to be treated as the employer for federal unemployment tax purposes. If the fiscal agent elects to be the employer and the worker is a certain class of family member of the person receiving care, that worker would be an employee of the fiscal agent and could now potentially be eligible for unemployment benefits. Benefits would be charged to the fiscal agent’s account, which would affect its experience rating. This provision is expected to simplify unemployment insurance reporting requirements for fiscal agents.

Work-Share Amendments

2019 Wis. Act 185 and 2021 Wis. Act 4 provided greater flexibility for work-share plans, including reducing the minimum number of employees in a work-share plan from 20 to 2, and increasing the maximum reduction in employees’ hours from 50% to 60%, which is the maximum allowed under federal law. Act 231 makes these changes permanent, as well as permitting a plan to extend up to 12 months in a 5-year period.

Administrative Changes

Changing the deadlines to submit certain statutorily-required reports to the Legislature
For the UI financial outlook report, the deadline will be changed from April 15 of each odd-numbered year to May 31 of each even-numbered year. For the report summarizing the deliberations of the Unemployment Insurance Advisory Council, the deadline will be changed from May 15 of each odd-numbered year to January 31 of each even-numbered year. These changes are designed to improve the usefulness of the reports to the Legislature, the Governor, and the Council.

Prohibiting DOR collection of UI debts
Current law requires state agencies and the Wisconsin Department of Revenue (DOR) to enter into an agreement to have DOR collect debts owed to agencies under certain conditions. Act 231 prohibits DOR from collecting debts on behalf of the UI Division. This change will ensure that employers and claimants are not assessed additional fees when repaying their debts and will ensure that state recoveries of debts owed to the UI Division continue to be maximized for the benefit of the UI Trust Fund.

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 (IHS). 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 IHS economic projection assumes low unemployment in 2022 with slight increases to the unemployment rate in 2023 and 2024. Economic growth is expected to be strong in Wisconsin throughout the projection period. The slight increases in the unemployment rate combined with increases in the labor force and wages leads to slightly higher UI benefit projections in 2023 and 2024 than for 2022.

UI tax revenue is based upon the projections of covered payroll as well as UI benefits charged to employer accounts. Labor force growth is expected to follow the rest of the economy with fast expansion in 2022. This growth is expected to start to decline in 2023 and 2024 but still be above typical levels. Wage growth is also expected to be high in 2022 with declines in 2023 and 2024 while remaining above normal levels.

UI benefit charging presents distinct challenges for the current projection. Under normal projection circumstances, UI benefits are directly charged to an employer's account, which then will affect future tax rates that the employer pays. Under 2019 Wis. Act 185 and 2021 Wis. 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.

UI has now finished recharging UI benefits from employer accounts to the Balancing Account. However, the first full accounting of UI taxes incorporating the new charging will not occur until 2023. UI tax revenue forecasts have atypical projection risks until the full accounting of recharging of UI benefits is completed during the tax rate process. 2021 Wis. Act 59 set the UI tax schedule to D for tax years 2022 and 2023 regardless of the UI Trust Fund balance.

UI Trust Fund Projections

Unemployment Reserve Fund Activity				
(Millions $)				
	2021	2022	2023	2024
Opening Unemployment Reserve Fund Balance	$1,049	$1,016	$1,233	$1,423
Revenues:				
State Unemployment Revenues	$448	$483	$490	$472
Interest Income	$20	$28	$33	$36
Federal Reimbursement for UI Benefits	$88	$2		
State General Purpose Revenue		$60	$60	
Total Revenue	$556	$573	$583	$508
Expenses:				
Unemployment Benefits	$589	$356	$393	$435
Ending Reserve Fund Balance[12]	**$1,016**	**$1,233**	**$1,423**	**$1,496**

Projections from Wisconsin Unemployment Insurance Division based upon Wisconsin Unemployment Insurance data and IHS Wisconsin projections April 2022.

The UI Trust Fund is expected to grow over this period. 2021 Wis. Act 58 transfers $60 million from general purpose revenue to the UI Trust Fund in fiscal years 2021-2022 and 2022-2023. UI benefit payments are expected to fall substantially in 2022, leading to an expected increase in the UI Trust Fund balance. While benefit payments are projected to increase slightly in future years, that is matched by increased UI taxes and interest leading to growth in the UI Trust Fund during this period. It is expected that UI will remain in tax schedule D for the projection period.

[12] 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.

Conclusion and Recommendations

As Wisconsin's Unemployment Insurance program celebrates its 90th year, 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. While recognizing that some employers are still recovering from the COVID-19 pandemic and many are facing rising costs due to inflation and supply chain disturbances, the Secretary urges the Council to pursue a balanced approach to rebuilding the Trust Fund that acknowledges the imperative of delivering on UI's promise to more fairly distribute, as well as decrease and prevent, the economic burdens resulting from unemployment.

Wisconsin's UI Trust Fund weathered the pandemic without needing to borrow from the federal government due to a strong opening balance, along with one-time financial relief provided by the state and federal governments. Wisconsin began the pandemic with an Average High-Cost Multiple (AHCM) of nearly 1.0. States that meet the standard (AHCM of 1.0) are less likely to need to borrow and in a better position to withstand economic downturns. The balance decreased significantly, from an opening balance of $1.961 billion in 2020, to an ending balance of $1.016 billion in 2021. The Trust Fund is currently at an AHCM of about 0.5.

The UI Trust Fund will need to grow again to avoid borrowing in a future recession. If there is another economic downturn in the next few years, the projected growth in the Trust Fund may not be sufficient to avoid the need for the UI program to borrow from the federal government to pay benefits. The economic cost to employers of borrowing is significant because it results in not only higher state and federal unemployment taxes, but the SAFI assessment as well, and comes at a time when many employers are struggling. The Secretary encourages the UIAC to review the UI financing system, including the rate schedules, to determine if any adjustments should be made to ensure adequate funding for a solvent Trust Fund that will be able to pay benefits in times of economic downturn without the financial burden on employers of borrowing.

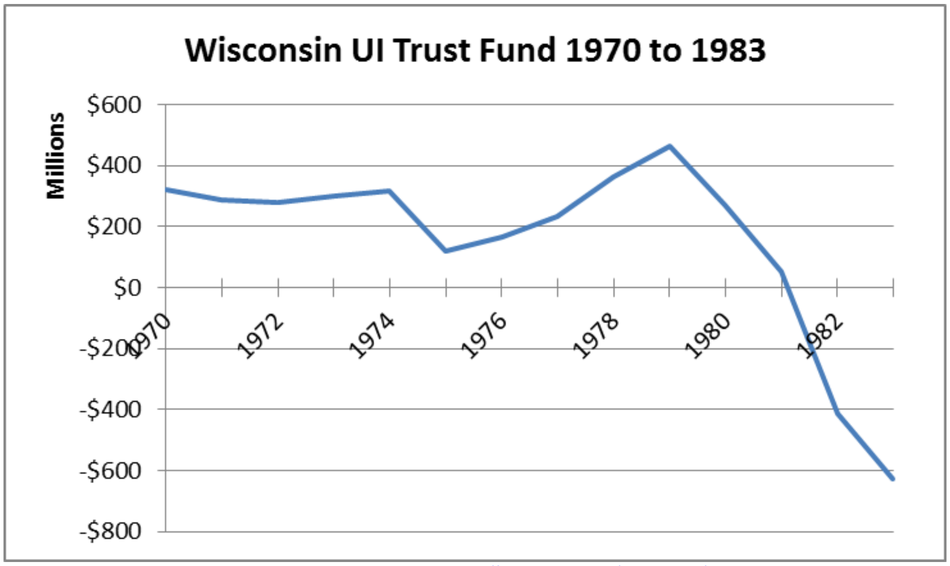
When reviewing Trust Fund financing, the Secretary encourages the Council to also consider benefit rates and eligibility policies that are sufficient to provide workers the financial assistance necessary to withstand temporary periods of unemployment. Claimants have not received an increase in the maximum weekly benefit rate in eight years. Currently, UI benefits replace only approximately 28 percent of the average weekly wage, a significant decrease from historical replacement rates that were around 45 percent. Had the federal government not offered supplemental benefits during the pandemic, the decreased purchasing power of those who were out of work due to the pandemic would have significantly affected the livelihood of farmers, merchants, and manufacturers through decreased demand for their products. 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. This report is prepared in advance of the UIAC biennial public hearing and agreed bill cycle, allowing time for the UIAC to request assistance with research topics before the next legislative session begins.

Appendix A: Modern History of UI Financing System 1981 – 2021

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.



ET Financial Data Handbook 394, https://oui.doleta.gov/unemploy/hb394.asp

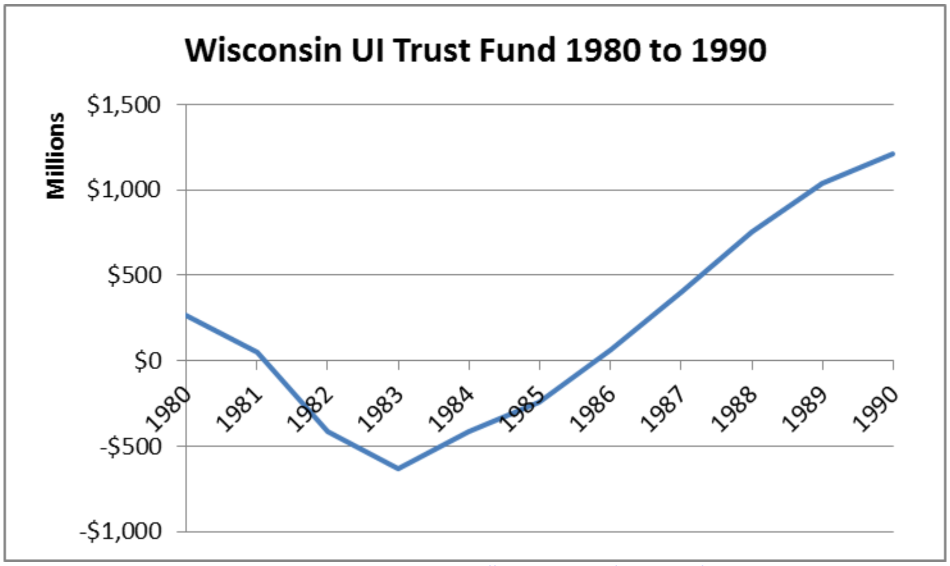
Wisconsin borrowed $988 million between 1982 and 1986. To provide context,this was about 4.1 percent of Total Covered Payroll in the mid-1980s. The same 4.1 percent of Total Covered Payroll of taxable employers in 2020 would be about $4.6 billion. Wisconsin's employers paid $124 million in interest due to the borrowing in the mid-1980s.

To eliminate the large UI Trust Fund debt, Wisconsin enacted legislation that made 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 that an employer's tax rate may increase, known as the Rate Limiter, to two percent;
- Temporarily discontinuing the 10 percent write-off provision, which reduced tax liability for employers whose reserve fund was account was very negative;
- Limiting the effect of voluntary contributions;
- Charging the state's portion of Extended Benefits to employers instead of the UI Balancing Account;
- 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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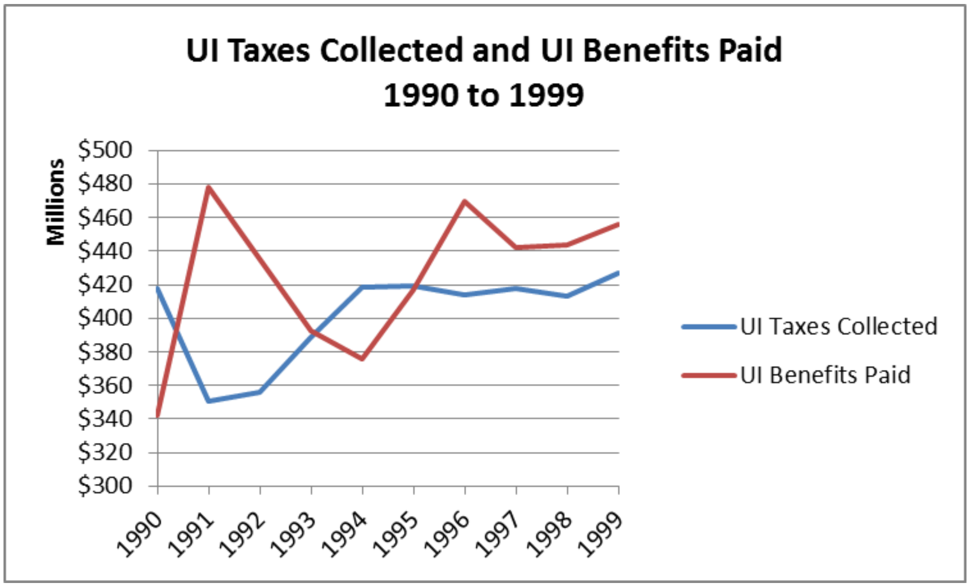
The Static UI Financing System in the 1990s

The UI Trust Fund accumulated a large balance before the onset of the 1991 recession. When the recession 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 payments fell 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 happened following the 1991 recession. After the UI Trust Fund reaches a balance large enough to finance a recession, 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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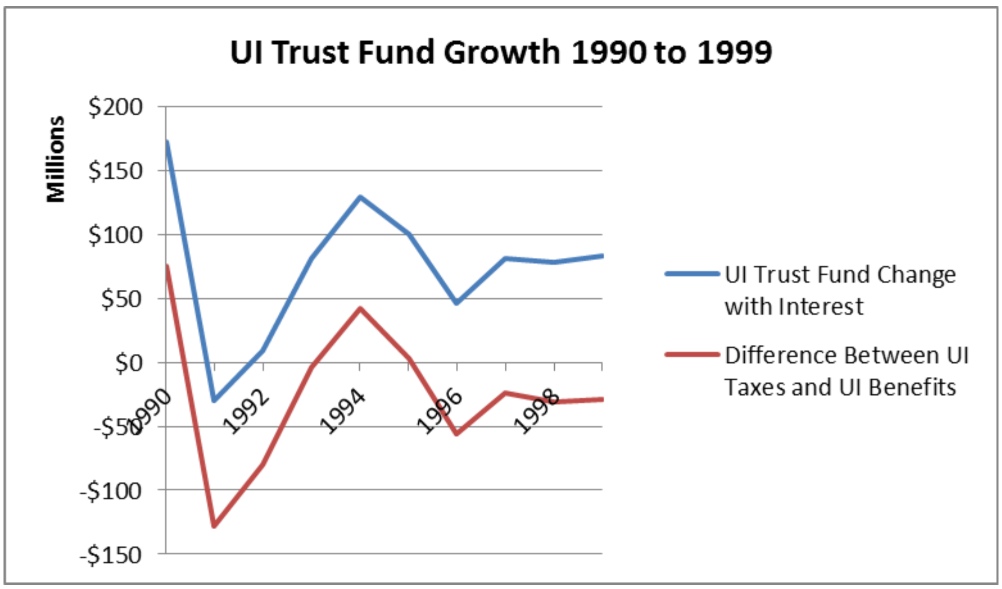

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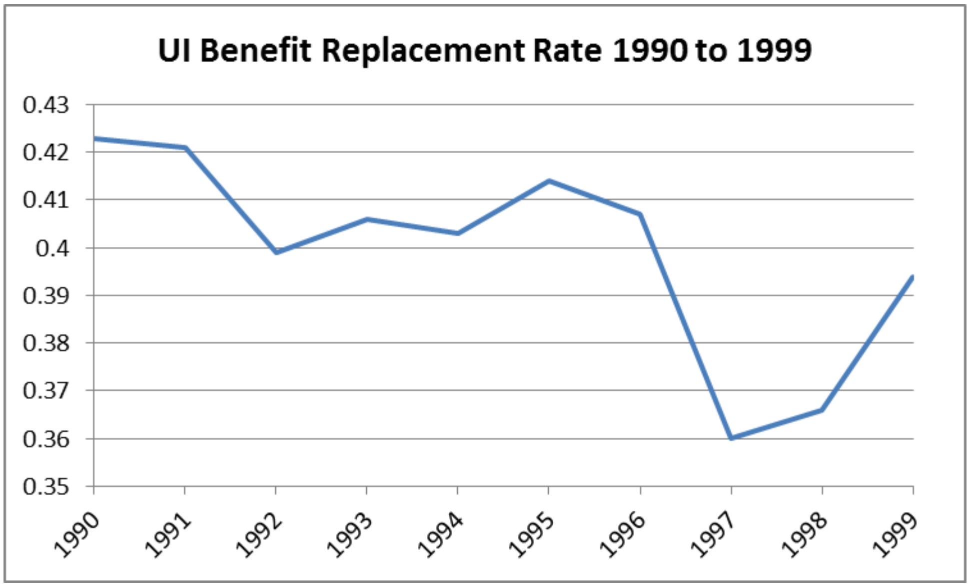
The yearly deficit between benefit payments and tax revenue in the 1990s was not due to increases in the UI benefit formula. In fact, the real value of UI benefits to the unemployed fell during this time. The UI benefit replacement rate (the ratio of the average weekly benefit amount to the average weekly 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 rate of 34 percent in 2019.) 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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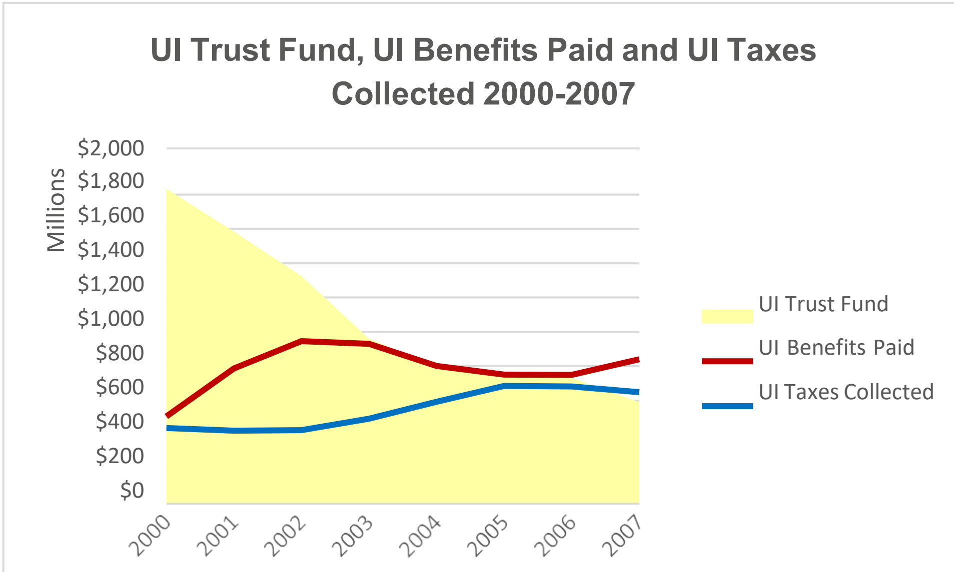
The Shrinking of the UI Trust Fund in the 2000s

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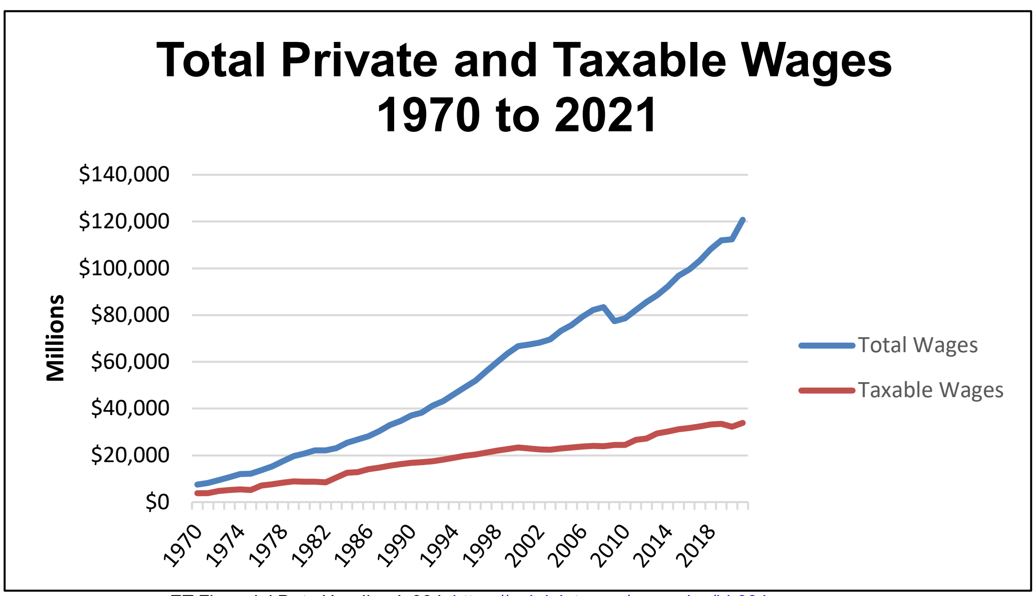
There are two main reasons why the financing system was non-responsive:

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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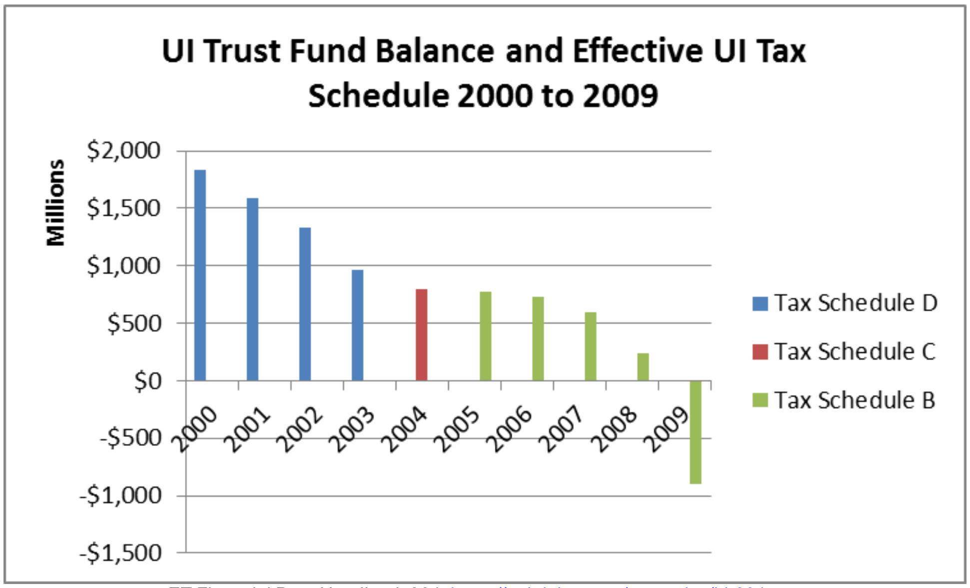
2. **The UI Tax Rate Schedule Change Triggers Reflect the 1980s Economy**
   The UI tax system is comprised of four tax rate schedules. The balance of the UI Trust Fund as of June 30th determines which schedule is in effect for the next tax year and the dollar amount will trigger a corresponding tax 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 ratesin Schedule A, the UI Trust Fund continued to shrink.



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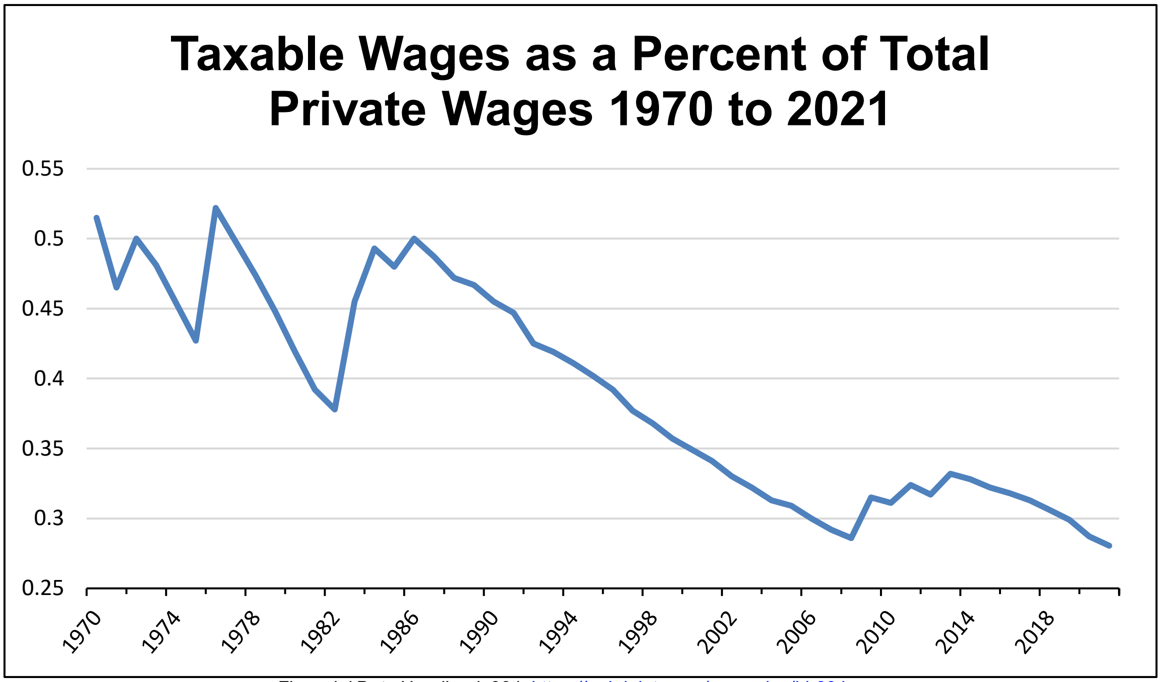
Between 2003 and the onset of the Great Recession, benefits paid remained above taxes collected. Unlike in the 1990s, interest earnings were not large enough to cover the gap and the UI Trust Fund continued to shrink. Any type of downturn would have inevitably caused the depletion of the UI Trust Fund.



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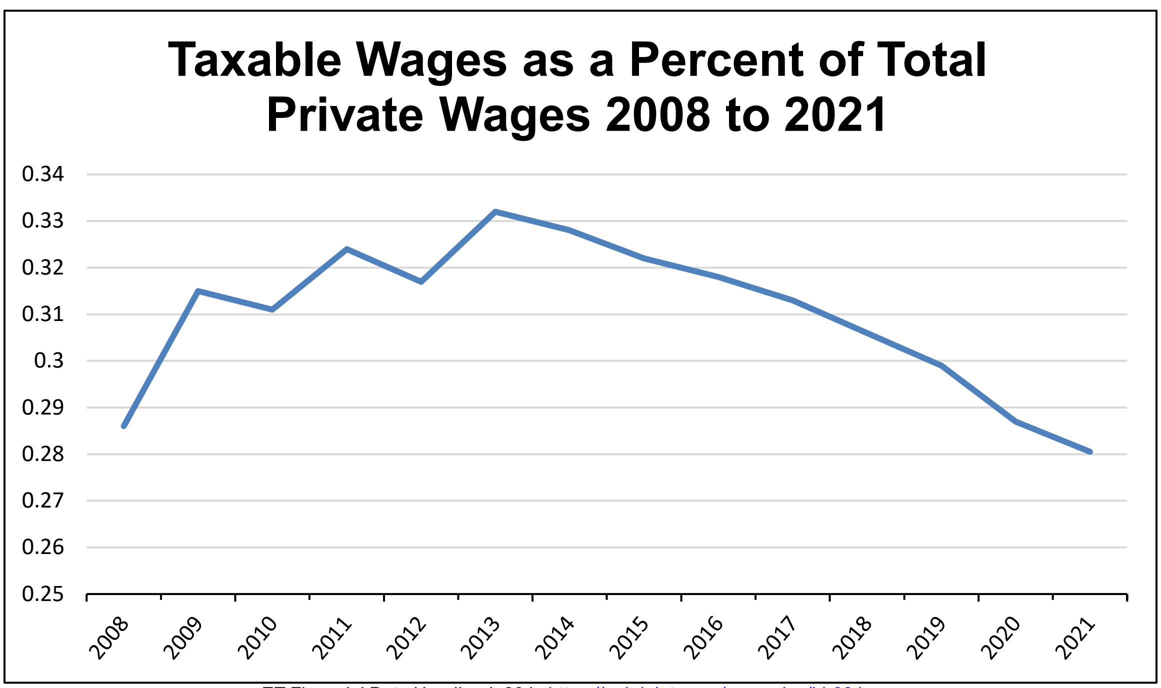
Legislation was enacted in 2008 that increased the taxable wage base to $12,000 in 2009, $13,000 in 2011, and $14,000 in 2013 where it was set to remain. This helped to reduce a portion of the decline of the ratio of the UI taxable wages to overall wages; however, by the time the wage base increased 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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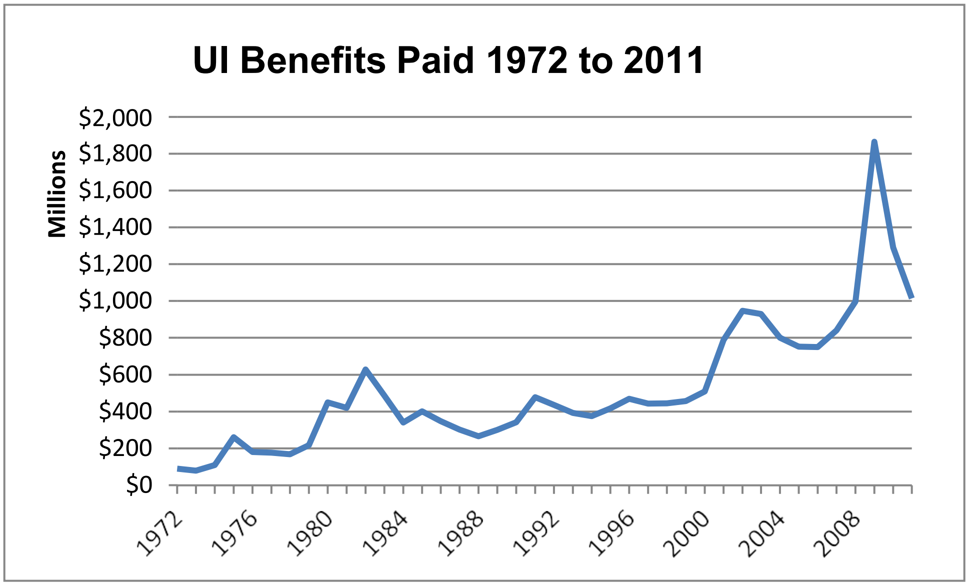
The Great Recession



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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 1972-2021

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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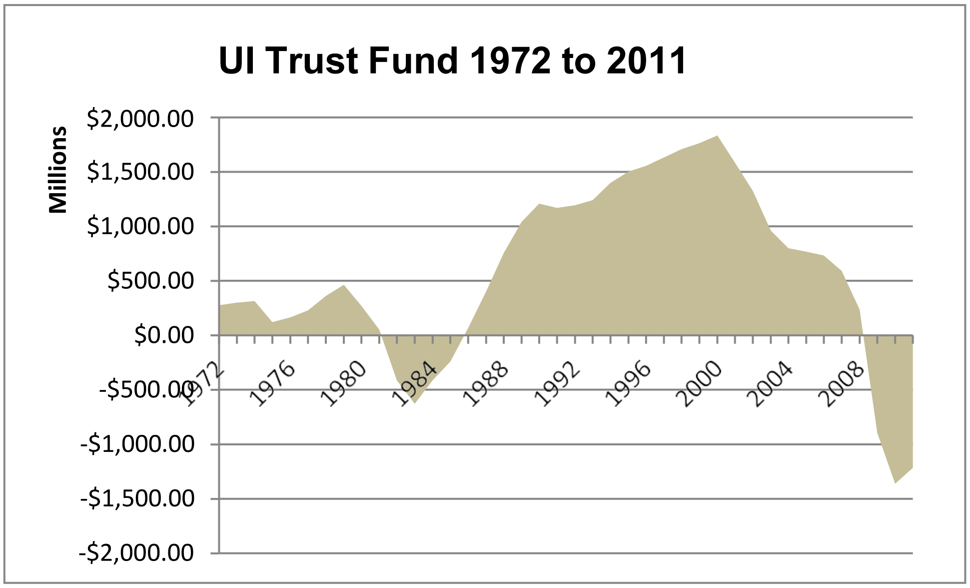
A better way to measure benefit expenditures is by comparing it to wages in the economy. Payroll can be viewed in terms of how many dollars are at risk. An analogy can be made to homeowner's insurance. The more expensive the home, the more money that needs tobe paid out if there is a fire. For unemployment 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. 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. Before 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[13] 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; for2019 this amounted to approximately $18.4 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.[14] 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.

[13] 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).

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

Despite the lengthy period of above average benefits paid, 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:

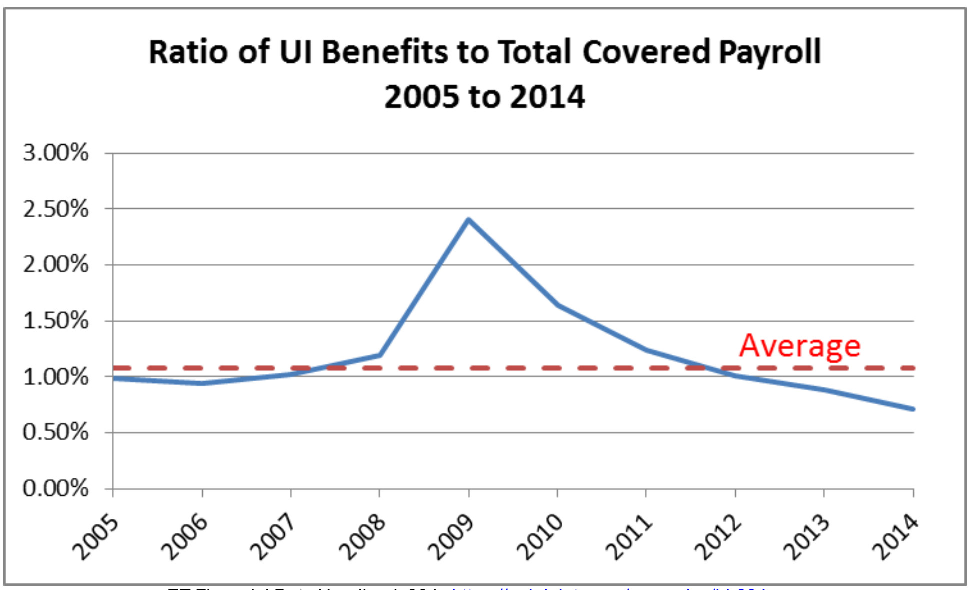
1. Low level of UI benefits paid due to a reduction in filing activity;

2. Increase in UI tax revenue because of the highest tax rate schedule being in effect and a decline in employer experience rating due to high benefit payments;

3. FUTA tax credit reduction.

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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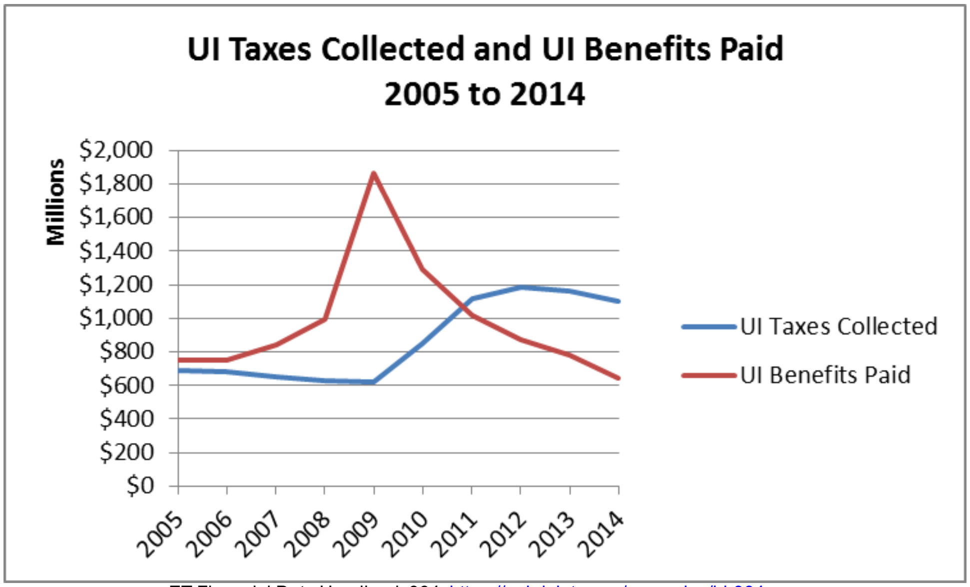
UI Tax Revenue

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



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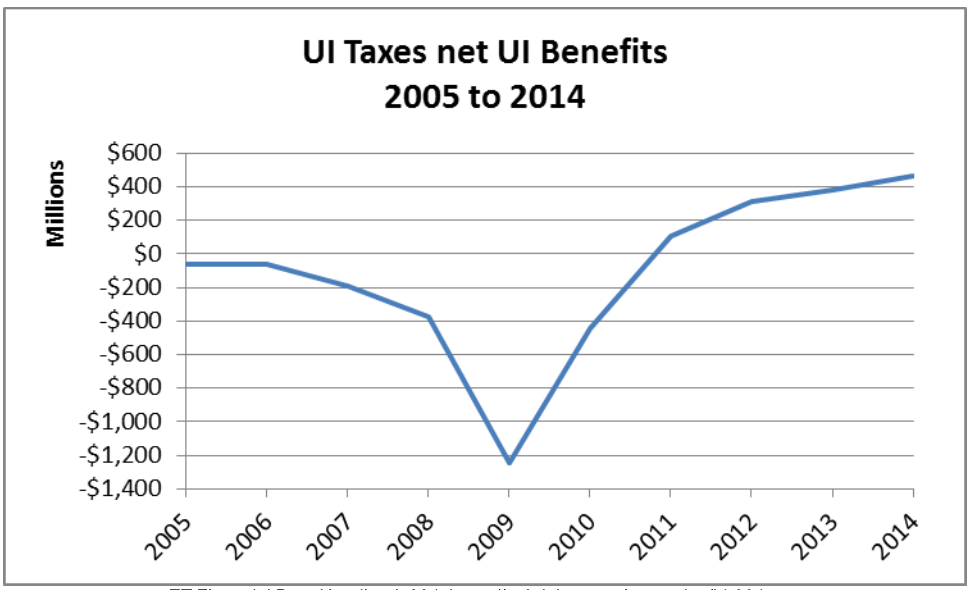

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FUTA Tax Credit Reduction

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 reduction, 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 federal funds 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. The FUTA tax increase differentiates it from state UI taxes in two important ways. 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, but low interest rates do not accompany every recession. For example, the 1982 recession had very high interest rates. In the future, the interest cost can be much higher if interest rates are higher.

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

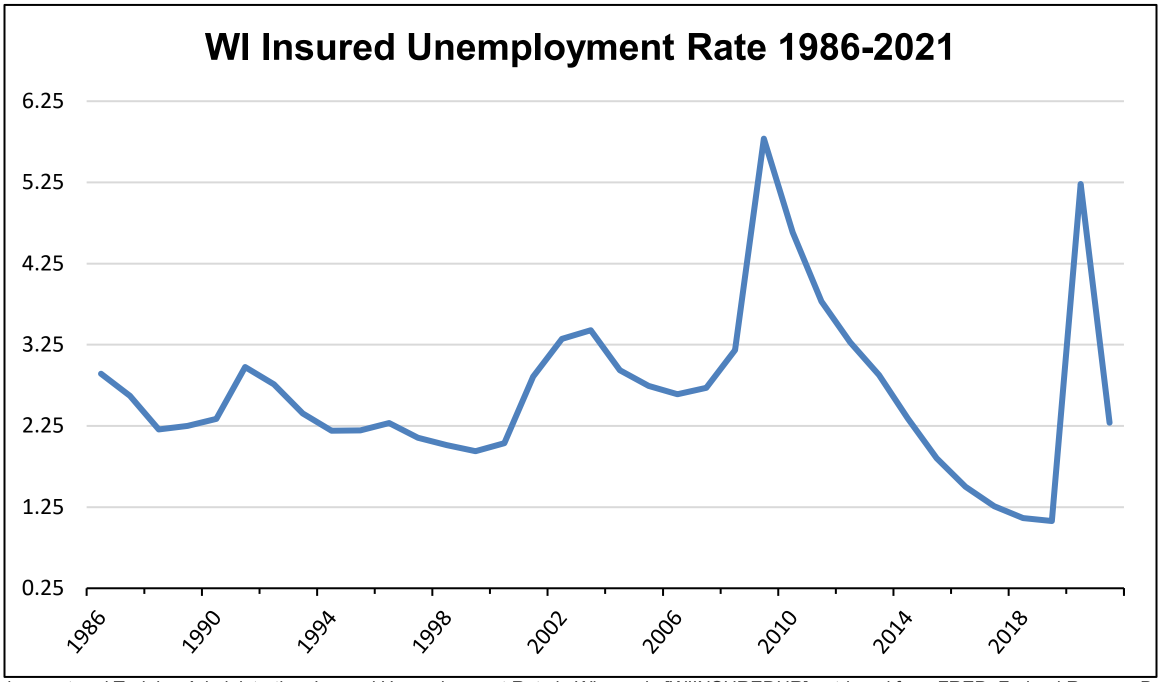
	2011	2012	2013	2014	**Total**
FUTA Credit Reduction		$47	$96	$148	**$291**
UI Trust Fund Loan Interest Paid Via SAFI	$42	$36			**$78**
UI Trust Fund Loan Interest Paid Via GPR			$19	$6	**$25**
Total Borrowing Costs					**$394**
Total Costs Paid by Employers					**$369**

Wisconsin UI Tax Data

Wisconsin UI Benefit Payments post Great Recession

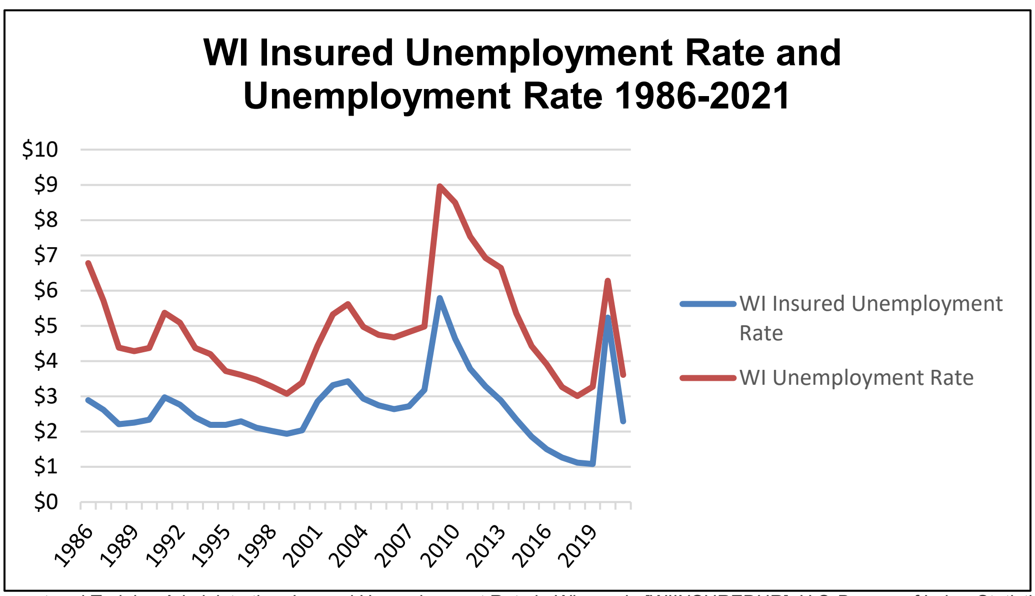
UI benefit payments have continued at historically low levels since the end of the Great Recession. There are two complementary reasons for this decline in benefit payments; a decline in unemployment claims, and the value of unemployment benefits relative to wages.

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

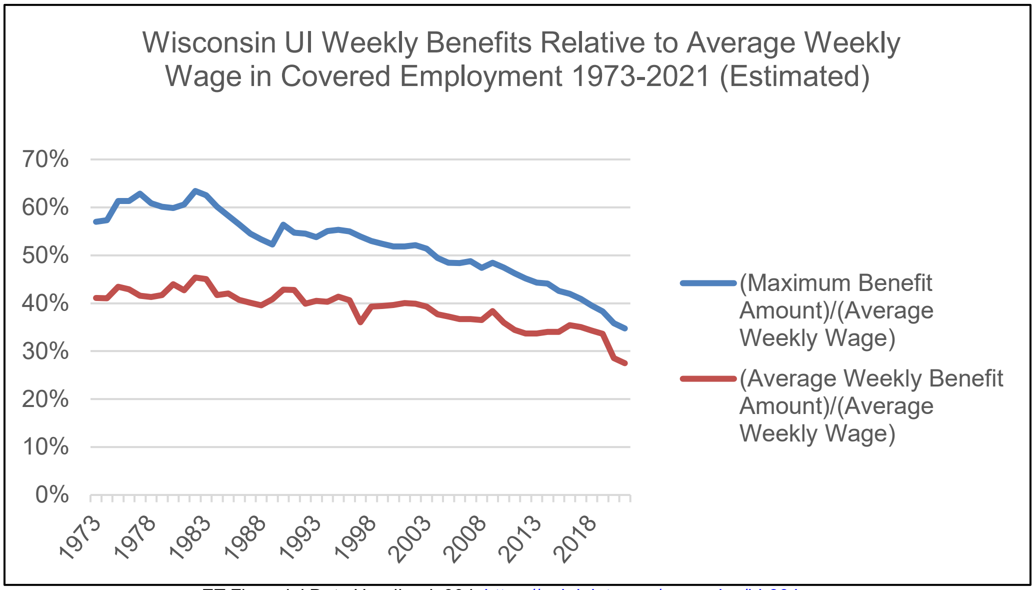
This decline in claim activity is even more pronounced when compared to the overall unemployment rate over the same period. Unemployment rates for the years immediately before the pandemic were very similar to rates reported in the late 1990s, but the rate of unemployment claims was approximately half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

Before 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 $550 million to $790 million of the increase in the UI Trust Fund balance between 2015 and 2019.

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 the 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 $68 million more per year in 2018 and 2019, with $64 million being charged to the UI Trust Fund. This likely would have led to increased UI tax revenue of approximately $21 million per year.

In summary, the rapid growth of the UI Trust Fund can be attributed to the historically low UI benefit payments that occurred before the pandemic. Historically low benefit payments added approximately $305 to $400 million to the UI Trust Fund over the reporting period of 2018 to 2019.

Appendix B: Wisconsin Unemployment Statistics 1992 to 2021
Wisconsin Unemployment Reserve Fund[15]

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

	Revenue						Expense			
Year	UI Revenues	Interest and Other	Reed Act	Federal Distri-butions	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	1,874	3	1,877	(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	535		535	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
2021	448	20		33		501	589			1,028

[15] 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 2021
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	396,187	6,007,541	15.2	5.5	$370
2021[16]	83,920	2,421,448	NA[17]	2.2	$370

[16] 2021 data is not finalized.

[17] This figure is not yet published by US-DOL.

Appendix D: Wisconsin Unemployment Statistics 1992 to 2021 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	$440	$175	$240
1993	2,308,361	$452	$183	$243
1994	2,384,509	$465	$188	$256
1995	2,449,029	$481	$199	$266
1996	2,493,484	$498	$202	$274
1997	2,550,955	$523	$188	$282
1998	2,602,559	$547	$215	$290
1999	2,661,710	$567	$223	$297
2000	2,703,542	$588	$233	$305
2001	2,686,548	$604	$242	$313
2002	2,660,922	$622	$248	$324
2003	2,657,571	$640	$252	$329
2004	2,684,896	$665	$251	$329
2005	2,714,477	$679	$253	$329
2006	2,737,431	$705	$259	$341
2007	2,751,715	$728	$267	$355
2008	2,743,267	$749	$273	$355
2009	2,614,062	$749	$288	$363
2010	2,600,206	$765	$275	$363
2011	2,634,447	$785	$270	$363
2012	2,664,283	$804	$271	$363
2013	2,692,053	$819	$276	$363
2014	2,729,876	$839	$285	$370
2015	2,765,376	$869	$296	$370
2016	2,799,146	$881	$312	$370
2017	2,821,131	$905	$317	$370
2018	2,847,429	$936	$321	$370
2019	2,857,063	$966	$325	$370
2020	2,698,767	$1,032	$295	$370
2021[18]	2,666,922[19]	$1,065	$293	$370

[18] 2021 data is not finalized.

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

Appendix E: Maximum Weekly Benefit Rate by State

US-DOL Comparison of State Unemployment Laws (2021)

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	$275	$275	NE	$456	$456
AK	$370	$442	NV	$483	$483
AZ	$240	$240	NH	$427	$427
AR	$451	$451	NJ	$731	$731
CA	$450	$450	NM	$484	$535
CO	$649	$649	NY	$504	$504
CT	$667	$724	NC	$350	$350
DE	$400	$400	ND	$640	$640
DC	$444	$444	OH	$498	$672
FL	$275	$275	OK	$461	$461
GA	$365	$365	OR	$673	$673
HI	$639	$639	PA	$583	$591
ID	$463	$463	PR	$240	$240
IL	$505	$693	RI	$599	$748
IN	$390	$390	SC	$326	$326
IA	$493	$605	SD	$428	$428
KS	$503	$503	TN	$275	$275
KY	$569	$569	TX	$521	$521
LA	$284	$284	UT	$617	$617
ME	$462	$693	VT	$531	$531
MD	$430	$430	VA	$378	$378
MA	$855	$1,282	VI	$667	$667
MI	$362	$362	WA	$844	$844
MN	$762	$762	WV	$424	$424
MS	$235	$235	**WI**	**$370**	**$370**
MO	$320	$320	WY	$526	$526
MT	$572	$572			
			National Average	**$480**	**$508**

Appendix F: Wisconsin Unemployment Statistics 1992 to 2021 Taxable UI Benefits and UI Taxes as a Percentage of Total Wages in Taxable Covered Employment

(Amounts in Millions of $)
ET Financial Data Handbook 394

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	$88,456	0.89%	1.32%
2014	$92,220	0.70%	1.19%
2015	$96,775	0.55%	1.07%
2016	$99,564	0.45%	0.85%
2017	$103,291	0.39%	0.66%
2018	$108,159	0.34%	0.55%
2019	$111,985	0.33%	0.49%
2020	$112,392	1.27%	0.44%
2021[20]	$120,760	0.42%	0.38%

[20] 2021 data is not finalized.

Appendix G: Wisconsin Unemployment Statistics 1992 to 2021 UI Benefits Directly Charged to the UI Balancing Account (Excludes Charges for the -10 percent Write-Off[21])

(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	COVID-19	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
2021	-102.3	-1.4	2.7	0.0	-3.4	4.0	2.5		-2.0	1,247.3	1,147.4	502.2

[21] 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
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 level are written-off. The employer is relieved of these benefit charges which are charged to the UI Balancing Account.

Quits
When an employee quits work but becomes eligible for benefits, the benefits are charged to the UI Balancing Account instead of the employer's account. This relieves employer accounts of benefit charges when a claimant collects UI benefits due to no 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.

Misconduct
Pro-rated benefit charges paid to claimants who were terminated for misconduct are charged to the UI Balancing Account. After an employee is terminated for misconduct, 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 misconduct 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 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
Substantial fault provides a disqualification based on certain terminations for cause. If an employee who is terminated with justifiable cause under substantial fault finds work with another employer and is then laid off, he or she may requalify for benefits. If the employee qualifies 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 fifth 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.

COVID-19: 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.