# Wisconsin Unemployment Insurance Program

# Financial Outlook

Report to
Wisconsin Legislators
by
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Department of Workforce Development

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**WISCONSIN UNEMPLOYMENT INSURANCE PROGRAM**

**FINANCIAL OUTLOOK**

## Statutory Requirement

This report is provided to all Wisconsin legislators by the Secretary of the Department of Workforce Development, as required by Wis. Stat. §16.48 in each odd-numbered year, regarding the financial outlook for the Wisconsin Unemployment Reserve Fund and recommendations for changes to the laws relating to unemployment insurance financing.

## Report Summary

The Unemployment Reserve Fund (the "Fund") is an insurance fund created by law for the purpose of partially and temporarily replacing wages of unemployed workers in Wisconsin. Wis. Stats. §108.16. The Fund receives contributions from Wisconsin employers by quarterly payments of unemployment tax on payroll and interest earned on Fund reserves.

The national recession that began in late 2007 and continued through June 2009 resulted in high rates of unemployment, an unprecedented volume of unemployment benefit expenditures and relatively flat unemployment tax revenues. The Fund's expenditures for unemployment benefits rose dramatically in the second half of 2008 and in 2009 and continued at high levels in 2010. Unemployment tax receipts, which peaked in 2005, declined for three consecutive years before rising only slightly in 2009. Revenue increased significantly in 2010 due in part to law changes in 2007 Act 59.

The decline in the Fund balance began years before the recession, following the peak level of $1.8 billion in the year 2000. State law effectively limits the Fund's ability to build reserves, constraining the Fund's recovery. The inability to forward fund benefit expenditures has become more acute over the many years that the state's economy has grown.

As a result of all of these circumstances, the Fund has been depleted since February 2009. When the Fund is depleted the federal government loans funds to the state, as in 2009 – 2010, to enable the state to continue paying the state's unemployment benefits. The Fund has borrowed since February 2009, accruing a debt in the amount of approximately $1.4 billion at year end 2010. The debt will increase. The borrowed funds must be repaid with interest. For loans taken between February 2009 and December 31, 2010, interest has been waived. Beginning in 2011, the interest must be repaid. Interest must come from sources other than the Fund. Under current law, the Fund will not likely build reserves sufficient to meet the benefit obligations of the next recession and may not even regain solvency by then.

A solution may encompass both expenditures and revenue. Reforms in each category were developed by the Unemployment Insurance Advisory Council (the "Advisory Council") and enacted in Act 59. The Council has recently considered additional changes.

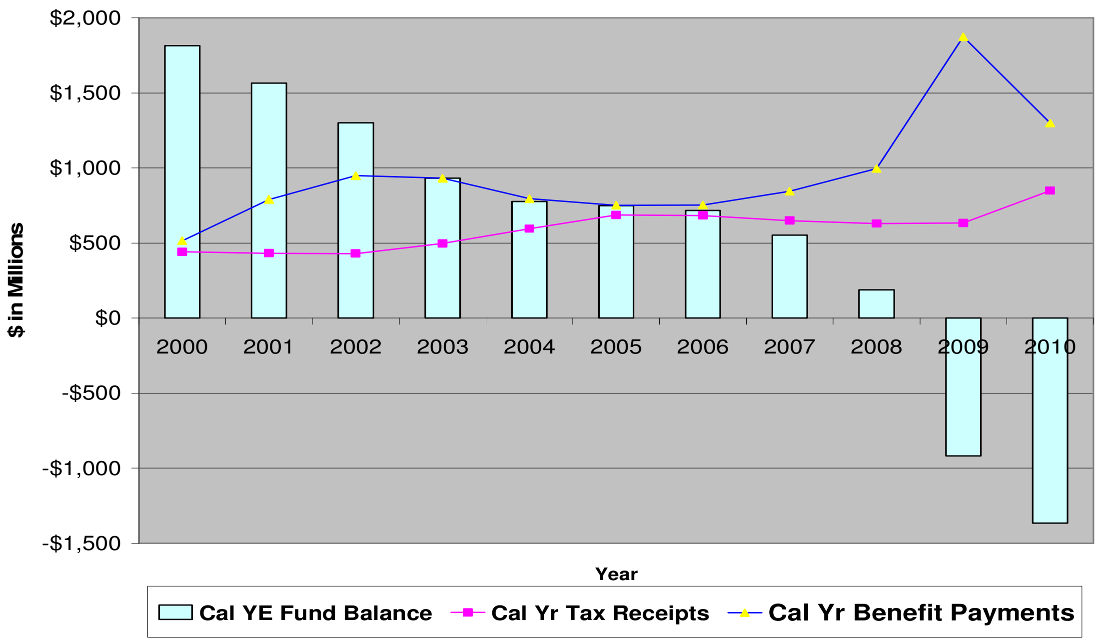
As in the past, the UI Advisory Council can be expected to review the Wisconsin unemployment law and provide specific recommendations concerning the solvency of the Fund and the ability to pay claims over the long term. The Secretary recommends that the Advisory Council review the factors that have contributed to the funding shortfall and the range of legislative solutions; and provide the Governor and Legislature with a proposal to strengthen the Fund. The review should address mechanisms to: (1) assure repayment of the existing debt; (2) restore solvency of the Fund; and (3) build and maintain reserve funding that is sufficient to consistently meet the obligations for projected benefit expenditures in future years.

## Current Status of the Unemployment Reserve Fund

### Recent History of the Fund

The Fund's experience over the most recent 11-year period highlights the limits on its ability to maintain reserves. Unemployment benefit expenditures have exceeded tax receipts in each year since 2000, as shown in Figure 1. The Fund's balance has declined each year since its peak, $1.8 billion, in the year 2000, and declined by a total of more than $3 billion in those 10 years. The decline has occurred despite the infusion of substantial distributions to the states of federal funds (not including federal loans, which began in 2009) in 2002 and 2009. The distributions applied to benefit payments totaled approximately $260 million.[1] As of December 31, 2010, the Fund balance reached a negative $1.393 billion (estimated). The negative balance is expected to grow in 2011 (see projection below, pages 7-9).

**Figure 1: UI Benefit Expenditures, Tax Receipts and Fund Balance: 2000 to 2010**




[1] See Table 1 below and, for 1974 to 2009, Appendix 1 to this Report. Throughout most of the history of Wisconsin's unemployment program, enacted in 1932, the Fund has been solvent. However, in the 1980s the Fund was depleted and Wisconsin borrowed $737 million from 1982 to 1986. The borrowed funds were repaid with interest and the Fund was stabilized by legislative revisions to Wisconsin's unemployment law.

**Table 1: Wisconsin Unemployment Reserve Fund 2000-2009**
(Amounts in million $)

| Year | Tax Receipts | Interest and Other Receipts | Total Receipts | Benefit Payments | Surplus or Deficit | Fund Balance Dec. 31 |
|---|---|---|---|---|---|---|
| 2000 | $442 | $117 | $559 | $515 | $44 | $1815 |
| 2001 | 432 | 110 | 541 | 791 | -249 | 1566 |
| 2002 | 430 | 254[a] | 684 | 949 | -265 | 1301 |
| 2003 | 497 | 65[b] | 562 | 932 | -370 | 931 |
| 2004 | 596 | 45[b] | 641 | 795 | -154 | 777 |
| 2005 | 687 | 38[b] | 725 | 752 | -27 | 750 |
| 2006 | 684 | 36[b] | 720 | 753 | -33 | 717 |
| 2007 | 649 | 33[b] | 682 | 845 | -163 | 554 |
| 2008 | 630 | -1[b] | 629 | 996 | -367 | 187 |
| 2009 | 632 | 137[a] | 769 | 1874 | -1105 | -918 |
| 2010[d] | 851 | -7[c] | 844 | 1319 | -475 | -1393 |

**a** In addition to interest earned, includes federal Reed Act distribution of $166 million in 2002; and $134 million in 2009 federal distribution under the American Recovery and Reinvestment Act.
**b** Expenditures of the 2002 $166 million Reed Act distribution on administration of employment training and unemployment programs (debits in "Interest and Other Receipts"): $3 million in each year 2004 and 2006, $4 million in each year 2005 and 2007, and $7 million in 2008. $19 million were set aside for future administration in 2008. **c** -$7 million in 2010 are forfeitures net of reversals. **d** 2010 receipts, payments and balance are estimates.

The causes of the decline in the Fund balance are found both in the volume of program participation during and following the recent recession and in the statutory constraints on revenue within the unemployment tax system.

**Worker Participation in the Unemployment Program and Benefit Expenditures**

The recent recession began in late 2007 and continued through June 2009. The general impact of this recession on the Fund can be seen in the recent volume of worker participation in Wisconsin's unemployment program, as large numbers of unemployed workers filed claims for benefits. In 2009, payments to individuals making a claim for a first week of benefits ("first payments") reached 448,000, while the number of weeks of unemployment compensated by the program rose to 7.6 million. Appendix 2. Benefit payments in 2010 continued at a high volume. The numbers of payments, like the total dollar expenditures, were unprecedented. The high level of payments and expenditures is due not only to the severity of the recession but also to the growth over time in the number of insured workers.

The insured unemployment rate ("IUR") is a direct measure of the rate of participation in the unemployment program and permits some comparison to past recessions in ways that the total expenditures do not. The IUR for the year as a whole is the average weekly number of individuals completing weeks of unemployment *divided by* the average number of individuals working in employment covered by the program. During the recent recession the IUR peaked at 5.8% in 2009, a level not seen since 1982 (6.8%).

The recent recession appears to have created longer durations of unemployment for unemployed workers. While not a precise measure of duration, some indication of severity of the recession is found in the number of weeks of payments in relation to the number of individuals first receiving a payment. In 2009 this ratio reached 17 weeks (7.6 million weeks ÷ 448,000 first payments). See Appendix 2. In contrast, in other peak recession years, the ratio was 15.8 and 15.7, in 1975 and 1982, respectively (Appendix 2), despite the fact that the maximum number of weeks for which an individual could receive state unemployment benefits in 2009 was 26 weeks, 8 weeks less than the maximum number (34 weeks) in 1975 and 1982.

The loss of employment from its peak, 2.2 million, in 2007 through 2009 was 7.1%, matching the 7.1% loss of employment from 1979 through 1983. See Appendix 3. However, the loss of jobs in the recent recession was more rapid, contributing to the dramatic decline in the Fund.

The amounts by which weekly benefit rates increased in the last two decades were less a factor in the decline of the Fund balance than the high levels of participation in the program and the factors (discussed below) limiting the Fund's revenue generation. From 1989 through 2009 the average weekly *wage* increased an average of 3.4% a year. During this period increases in both the *maximum* weekly unemployment *benefit* rate and the *average* weekly *benefit* rate averaged 2.9% a year. During the same period the average weekly benefit rate decreased from 38% to 35% of the average weekly wage. See Appendix 3. Benefits were 2.3% of total wages in 1975 and 1980; 3.1% of total wages in 1982; and 2.4% in 2009. After 1990, taxes were less than benefit expenditures in all years but 1994 and 1995. See Appendix 4.

In response to the severity of the recession, beginning in 2008 and as recently as December 2010, the federal government enacted several programs for benefit extensions. The extension programs have been funded entirely by *federal* sources, while the "regular" UI program is generally funded by *state* unemployment taxes paid into the Reserve Fund. The scope of this report is limited to the condition of the Reserve Fund and the regular UI program.

**Financing of the Unemployment Program**

*Background.* Reserve Fund revenue consists overwhelmingly of taxes paid by employers on the wages of their employees. Tax rates are set by statute and apply to the taxable portion of wages, which is called the "wage base." From 1986 through 2008 the wage base was the first $10,500 paid to each employee in a calendar year. For 2009 and 2010 the wage base was $12,000. The wage base will increase to $13,000 for 2011 and 2012 and $14,000 beginning in 2013. Two tax rates, the "basic" tax rate and the "solvency" tax rate, are applied to the wage base to determine the amount of the employer's unemployment tax.

In accordance with the unemployment statute, the statutory schedules of basic and solvency tax rates that generate the greatest aggregate revenue ("Schedule A") took effect in 2010 due to the Fund balance dropping below the threshold level of $300 million in 2008. Schedule A rates will remain in effect until the Fund balance returns to $300 million.

All income to the Fund, including employer tax payments, is deposited in an account of the United States Treasury and pooled for purposes of making benefit payments. However, the amount of the employer's *basic* tax payment is credited to that "employer's account" in the Fund while the employer's *solvency* tax payment is credited to the Fund's "balancing account." The balancing account is simply a subaccount, or residue, of the Fund after accounting for all individual employer accounts.

*Employer Accounts and Basic Taxes.* Individual employer accounts are maintained solely for the purpose of determining each employer's tax rates. Each employer account is credited with basic tax payments and debited with benefits attributed to specific employers. The employer's account balance, or "net reserve", is the previous year's balance, plus taxes paid by that employer, minus the amount of benefit charges to that account during the past year. The net reserve is computed as of June 30 each year for purposes of determining the applicable tax rate for the following year. In general, the greater the ratio of the individual employer's net reserve to the employer's annual payroll on the June 30 computation date, the lower that employer's tax rate will be for the following year.

*Balancing Account Charges and Solvency Taxes.* Charges to the balancing account result when benefits are paid by the Fund but, based on statute, are not charged to a specific employer.

There are several situations in which benefits are charged *directly* to the balancing account. Appendix 5. The amounts of each type of direct charge to the balancing account are displayed in Appendix 6. The percentages of all benefits that each type constitutes are displayed in Appendix 7. Direct charges to the balancing account were $159 million in 2010. Table 2.

In addition to benefit charges made directly to the balancing account, benefit charges may first be made to an employer's account and then removed from it under a practice, prescribed by statute, known as the "ten-percent write-off". Charges that make any employer account balance in relation to its taxable payroll more negative than minus ten-percent are removed from the employer's account and charged to the balancing account. The write-off may have been intended to enable employers whose accounts become very negative to more readily restore a positive balance. It has been in the statute in one form or another since the 1930s but was legislatively suspended from 1984 through 1987. The Fund's write-off amount grew to $543 million (estimated) in 2010 (as of the date of this Report it appears the actual amount will be about $497 million).

Of course, charges to the balancing account must be recovered from employers in some manner. To the extent that this has been actually accomplished it is mostly by the solvency tax. Solvency taxes are credited to the balancing account. In recent years the charges to the balancing account have increasingly exceeded the solvency tax receipts. See Table 2.

Interest earnings are credited to the balancing account. Interest earnings decreased since 2000 as both the Fund balance and interest rates declined.

Federal distributions are credited to the balancing account. In 2002 and 2009 the federal government distributed $166 million and $134 million, respectively, to Wisconsin's Reserve Fund. The distributions were made on a one-time basis, primarily to help with benefit costs.

*Summary of Revenue and Expenditures of the Reserve Fund.* Benefit charges have exceeded taxes in both the employer and the balancing accounts of the Fund in each year since year 2000 (see Table 2). The shortfall in the balancing account has been only partially remedied by the transfer of revenue from the basic tax to the solvency tax in Act 59. Tax receipts in 2009 and 2010 were depressed due to reduced levels of both employment (Appendix 3) and total taxable wages (Appendix 4) in 2009 and 2010. Interest earnings and the special federal distributions, in addition to tax receipts, were not sufficient to prevent the decline in the Fund balance to its present level of negative $1.4 billion.

**Table 2: Charges and Credits to the Unemployment Reserve Fund**
(All amounts in million$)

| Calendar Year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *Employer Accounts* | | | | | | | | | | | |
| Opening Balance | 1409 | 1439 | 1252 | 993 | 830 | 872 | 968 | 1066 | 1069 | 935 | 177 |
| Increases: | | | | | | | | | | | |
| 10% Write-off | 68 | 94 | 158 | 198 | 197 | 154 | 159 | 178 | 195 | 407 | 543 |
| Basic Taxes | 378 | 368 | 371 | 430 | 521 | 576 | 569 | 536 | 519 | 473 | 578 |
| Decreases: | | | | | | | | | | | |
| Benefit Charges | 416 | 649 | 788 | 791 | 676 | 634 | 630 | 711 | 848 | 1638 | 1160 |
| Closing Balance | 1439 | 1252 | 993 | 830 | 872 | 968 | 1066 | 1069 | 935 | 177 | 138 |
| *Balancing Account* | | | | | | | | | | | |
| Opening Balance | 362 | 376 | 314 | 308 | 101 | -95 | -218 | -349 | -515 | -748 | -1095 |
| Increases: | | | | | | | | | | | |
| Solvency Taxes | 64 | 64 | 59 | 67 | 75 | 111 | 115 | 113 | 111 | 159 | 273 |
| Interest Earned | 117 | 110 | 88 | 65 | 48 | 42 | 39 | 37 | 25 | 3 | --- |
| Other ** | --- | --- | 166 | --- | -3 | -4 | -3 | -4 | -26 | 134 | -7 |
| Decreases: | | | | | | | | | | | |
| Solvency Benefits | 99 | 142 | 161 | 141 | 119 | 118 | 123 | 134 | 148 | 236 | 159 |
| 10% Write-off | 68 | 94 | 158 | 198 | 197 | 154 | 159 | 178 | 195 | 407 | 543 |
| Closing Balance | 376 | 314 | 308 | 101 | -95 | -218 | -349 | -515 | -748 | -1095 | -1531 |
| *Total Fund Balance* | 1815 | 1566 | 1301 | 931 | 777 | 750 | 717 | 554 | 187 | -918 | -1393 |

* 2010 amounts are estimated. **Credits: federal distributions received in 2002 and 2009. Debits: admin of employment training and unemployment programs in 2004 - 2008. Forfeitures net of reversals in 2010.

*Interest on federal loans to the Reserve Fund.* When the reserve fund balance of any state is negative, funds for the payment of benefits are usually advanced by the federal Unemployment Trust Fund to the state as an interest-bearing loan. Liability for interest was forgiven by the federal government through December 31, 2010. Interest (estimated below) will begin accruing on the unpaid balance of loans to the Fund outstanding on January 1, 2011. Under federal law, interest is not to be paid from the Fund. For these reasons, the interest is not shown in the Tables displaying analysis of the Fund. See discussion below regarding interest payments.

## Reserve Fund Projection

### Economic Outlook

The key assumptions which form the basis for the following projection of the Reserve Fund are found in the economic forecast prepared for December 2010 by IHS Global Insight, Inc. ("Economic Outlook"): http://www.revenue.wi.gov/ra/econ/ The Economic Outlook is used by the Wisconsin Department of Revenue in making the State's revenue projections and by the Department of Administration in biennial budget planning. According to the Economic Outlook, the economic expansion that began in July 2009 will continue through the year 2015.

**Assumptions for the Reserve Fund Projection**

The Fund projection is designed to show what is expected to happen to the Fund if the economy performs as anticipated in the economic forecast contained in the Economic Outlook.

In 2010 the rate of total unemployment in the United States was approximately 9.7% and in Wisconsin 8.2%. The Economic Outlook forecasts that in the U.S. the rate of total unemployment will be 9.6% in 2011; 9.1% in 2012; and 8.5% in 2013 and in Wisconsin 7.7% in 2011; 7.1% in 2012; and 6.5% in 2013. Based on the forecast, the Wisconsin *insured* unemployment rate (IUR) is projected to decrease from 4.6% in 2010 to 4.1% in 2011; to 3.4% in 2012; and 2.8% in 2013.

This projection further assumes, as does the Economic Outlook, that: total wages will grow 3.6% in 2011; 4.7% in 2012 and 2013; and approximately 2.5% thereafter; and employment will grow 1.8% in 2011; 2.2% in 2012; 2.0% in 2013.

This projection is made just as the economy appears to be making a favorable turn from what has been severe recession. At such times economic forecasting and, accordingly, projection of the Fund's performance, tends to be especially challenging.

Varying the assumptions will of course produce results to the Fund that vary from this projection. If in 2011 – 2013 Wisconsin experiences rates of unemployment either higher or lower than forecasted, the Fund balance will be expected to be lower or higher, respectively, than if the actual unemployment rates conform to the forecast. There is also a possibility that a recession will begin in the period of the projection. A new recession would severely exacerbate the Fund's negative balance.

**Reserve Fund Projection Based on Current Law**

The Fund projection, displayed in Table 3, begins with an estimated opening balance for 2011of negative $1.393 billion; and for 2011 – 2013, includes: projected IUR for each year; projected taxes and FUTA Credit Reduction as Fund receipts; and benefits as charges against the Fund.

**Table 3: Summary of Reserve Fund Projection**
(All amounts in million $)

| Calendar Year | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| Insured Unemployment Rate | 5.8% | 4.6% | 4.1% | 3.4% | 2.8% |
| Opening Balance | 187 | -918 | -1393 | -1609 | -1481 |
| Taxes | 632 | 851 | 1046 | 1151 | 1211 |
| Interest & Other | 3 | -7 | --- | --- | --- |
| FUTA Credit Reduction | --- | --- | --- | 49 | 98 |
| Benefits | -1874 | -1319 | -1262 | -1072 | -904 |
| Federal Distribution | 134 | ---- | --- | --- | --- |
| Closing Balance | -918 | -1393 | -1609 | -1481 | -1076 |

Benefit expenditures in 2011 are projected to nearly equal those in 2010 but decline in 2012 and 2013.

*FUTA tax increase.* Because the Fund is depleted and borrowing from the federal government, Wisconsin employers will become subject, under the Federal Unemployment Tax Act ("FUTA"), to a *reduction in the credit* ("FUTA credit") they receive for payment of state unemployment taxes. Although the FUTA credit and reduction are complex, the impact of the credit reduction is correctly understood as an increase in the federal rate for each Wisconsin employer. In 2012, the increase will be 0.3% (applied to the $7,000 federal wage base per employee).

FUTA taxes will *further increase* by 0.3% yearly after 2012 until either the Fund's debt is repaid to the federal government or until the state takes the steps prescribed by federal law to avoid the credit reduction. Those steps would be to improve the Fund's solvency.

As the FUTA taxes increase over time, they will tend to force some, if not all, of the repayment required of Wisconsin's federal loan. The FUTA tax payments are credited back by the federal government to the Fund year by year, as indicated in Table 3, in the amount of $49 million for 2012 and $98 million for 2013.

One implication of the FUTA credit reduction is that the tax paid under FUTA, unlike Wisconsin's unemployment tax, is *not* experience rated. FUTA tax is a flat tax on all employers. The FUTA rate applied each year is the same for all employers, regardless of the number of layoffs experienced and benefits charged to the particular employer.

With the improving economy, state tax revenues are expected to increase from $851 million 2010 to $1.2 billion in 2013. In that scenario, the tax revenues then would likely taper off with the declining levels of benefit expenditures in the improving economy. While a reduced tax burden would be welcomed by employers, the Fund would not easily regain solvency.

No federal distributions to the states for unemployment benefits are anticipated at this time.

The amount of interest to be paid on loans to the Fund is projected to be $48 million in 2011 (interest accruing from January 1 to September 30, 2011); $65 million in 2012; $55 million in 2013; and $35 million in 2014. Under federal law, interest is not to be paid from the Fund. Beginning in 2011 and until the debt is fully paid, current law provides that employers will be assessed for the interest separately from unemployment taxes.

The debt can be eliminated. That could occur by either: (1) increasing annual payments of FUTA taxes during several – perhaps many – years of low unemployment; and/or (2) changing the law governing the Fund.

Whatever may be the precise performance of the Fund in the next three years, the forecasted growth will not restore the Fund's reserves to a level that will be sufficient to meet its benefit obligations during a recession. A recession within five years or so would likely trigger borrowing again, in amounts that would probably require many years to repay.

As the history of the Fund demonstrates, even in a period of prosperity, the Fund will fall short of benefit obligations. There is serious doubt that even a lengthy period of economic growth will prepare the Fund to meet its obligations in the next recession. It appears that the size of the state's economy and the resulting needs of the Fund have outgrown the statutory funding mechanism. The need to reform the structure of the Fund has become more urgent.

## Recommendations

As in the past, the UI Advisory Council can be expected to review the Wisconsin unemployment law and provide specific recommendations concerning the solvency of the Fund and the ability to pay claims over the long term. The Secretary recommends that the Advisory Council review the factors that have contributed to the funding shortfall and the range of legislative solutions; and provide the Governor and Legislature with a proposal to strengthen the Fund. The review should address mechanisms to: (1) assure repayment of the existing debt; (2) restore solvency of the Fund; and (3) build and maintain reserve funding that is sufficient to consistently meet the obligations for projected benefit expenditures in future years.

A reform may encompass both benefits and revenue. Reforms in each category were developed by the Advisory Council and enacted in 2007 Wisconsin Act 59. The changes increased the amount of wages subject to the state unemployment tax; shifted revenue from employer accounts to the balancing account; and increased the total wages needed to qualify for benefits. As stated in the last biennial report, the 2009 Financial Outlook, the changes were expected to generate approximately $120 million annually.

In 2008 – 2009 and as recently as last year, the Council examined a variety of systems for funding the unemployment program.

The current system relies heavily on the dollar balance in the Fund as the sole determinant of the schedule of tax rates to be applied to employers' payroll. A Fund balance below $300 million dictates a particular rate schedule to be applied (Schedule A). That schedule produces the maximum amount of revenue under current law. It was adequate when the economy was smaller. The limits of the current system, which were established more than 20 years ago, have become an obstacle to rebuilding reserves.

Among other ideas and systems, the department prepared and the Council reviewed systems that determine tax rates and revenue, not solely on the dollar balance in the Fund, but also by reference to the needs of the Fund. One model for a system of this sort would consider several recent years of the Fund's experience as a factor as well as the Fund balance. As in the current system, the rate assigned to an employer by the model would also be based on each employer's individual experience (benefit charges, tax payments and reserves).

Experience rating has always been an element of the unemployment programs in Wisconsin and nationally. The incentive that experience rating provides to each employer to manage the risk of unemployment promotes fiscal soundness in the insurance program. The model would strengthen the application of the experience rating principle by more completely tying tax rate levels of individual employers to the actual experience of that employer; reduce the socialized costs (charges to the balancing account); more equitably distribute the ultimate costs of the program to the employers charged for the benefits; and assure the necessary reserves.

There are many reasonable alternatives to achieve a healthier Fund. A considerable body of knowledge has been amassed on the issue and the alternatives. The department is prepared to support the Council as it considers the range of potential improvements to the Unemployment Reserve Fund.

**Appendix 1: Wisconsin Unemployment Reserve Fund 1974 - 2009**
(All amounts in million $)

| Year | Tax Receipts | Interest and Other | Total Receipts | Benefit Payments | Surplus or Deficit | Fund Balance Dec. 31 |
|---|---|---|---|---|---|---|
| 1974 | $106 | $19 | $125 | $110 | $15 | $315 |
| 1975 | 106 | 24 | 130 | 283 | -153 | 162 |
| 1976 | 193 | 18 | 211 | 202 | 9 | 171 |
| 1977 | 239 | 14 | 253 | 192 | 61 | 232 |
| 1978 | 283 | 22 | 305 | 170 | 135 | 367 |
| 1979 | 286 | 30 | 316 | 221 | 95 | 462 |
| 1980 | 233 | 38 | 270 | 480 | -210 | 252 |
| 1981 | 215 | 33 | 248 | 452 | -204 | 49 |
| 1982 | 221 | 2 | 223 | 688 | -465 | -416 |
| 1983 | 301 | -3 | 298 | 519 | -221 | -637 |
| 1984 | 562 | 3 | 565 | 347 | 217 | -419 |
| 1985 | 571 | 2 | 573 | 406 | 167 | -252 |
| 1986 | 643 | 5 | 648 | 352 | 296 | 43 |
| 1987 | 630 | 28 | 658 | 304 | 354 | 397 |
| 1988 | 567 | 48 | 615 | 266 | 349 | 746 |
| 1989 | 511 | 77 | 588 | 302 | 286 | 1032 |
| 1990 | 417 | 96 | 513 | 341 | 171 | 1204 |
| 1991 | 350 | 100 | 450 | 480 | -30 | 1174 |
| 1992 | 358 | 90 | 448 | 437 | 11 | 1185 |
| 1993 | 391 | 85 | 476 | 394 | 82 | 1267 |
| 1994 | 418 | 87 | 505 | 377 | 128 | 1395 |
| 1995 | 421 | 98 | 519 | 418 | 101 | 1496 |
| 1996 | 415 | 102 | 517 | 471 | 46 | 1542 |
| 1997 | 419 | 105 | 525 | 445 | 80 | 1621 |
| 1998 | 414 | 110 | 524 | 452 | 72 | 1693 |
| 1999 | 431 | 113 | 544 | 466 | 77 | 1771 |
| 2000 | 442 | 117 | 559 | 515 | 44 | 1815 |
| 2001 | 432 | 110 | 541 | 791 | -249 | 1566 |
| 2002 | 430 | 254[a] | 684 | 949 | -265 | 1301 |
| 2003 | 497 | 65[b] | 562 | 932 | -370 | 931 |
| 2004 | 596 | 45[b] | 641 | 795 | -154 | 777 |
| 2005 | 687 | 38[b] | 725 | 752 | -27 | 750 |
| 2006 | 684 | 36[b] | 720 | 753 | -33 | 717 |
| 2007 | 649 | 33[b] | 682 | 845 | -163 | 554 |
| 2008 | 630 | -1[b] | 629 | 996 | -367 | 187 |
| 2009 | 632 | 137[a] | 769 | 1874 | -1105 | -918 |
| 2010[d] | 851 | -7[c] | 844 | 1319 | -475 | -1393 |

**a** In addition to interest, includes federal distribution of $166 million in 2002; and $134 million in 2009.
**b** Expenditures of the 2002 $166 million Reed Act distribution on administration of employment training and unemployment programs (debits in "Interest and Other Receipts"): $3 million in each year 2004 and 2006, $4 million in each year 2005 and 2007, and $7 million in 2008. $19 million were set aside for future administration in 2008. **c** -$7 million in 2010 are forfeitures net of reversals.
**d** 2010 receipts, payments and balance are estimates.

**Appendix 2: Wisconsin Unemployment Insurance Program Statistics**

| Year | First Payments | Weeks Paid | Weeks Per First Payment | Insured Unemployment Rate | Maximum Weekly Benefit Rate | Percent Change in Maximum Weekly Benefit |
|---|---|---|---|---|---|---|
| 1974 | 135,000 | 1,630,000 | 12.1 | 2.9% | $ 99 | |
| 1975 | 221,000 | 3,487,000 | 15.8 | 6.2 | 113 | 14% |
| 1976 | 164,000 | 2,407,000 | 14.7 | 4.4 | 122 | 8 |
| 1977 | 178,000 | 2,236,000 | 12.6 | 3.7 | 133 | 9 |
| 1978 | 168,000 | 1,955,000 | 11.6 | 2.8 | 139 | 5 |
| 1979 | 198,000 | 2,280,000 | 11.5 | 3.0 | 149 | 7 |
| 1980 | 293,000 | 4,168,000 | 14.2 | 5.4 | 160 | 7 |
| 1981 | 268,000 | 3,805,000 | 14.2 | 4.9 | 175 | 9 |
| 1982 | 309,000 | 4,850,000 | 15.7 | 6.8 | 191 | 9 |
| 1983 | 278,000 | 3,842,000 | 13.8 | 5.2 | 196 | 3 |
| 1984 | 205,000 | 2,771,000 | 13.5 | 3.4 | 196 | 0 |
| 1985 | 223,000 | 3,031,000 | 13.6 | 3.5 | 196 | 0 |
| 1986 | 201,000 | 2,815,000 | 14.0 | 3.1 | 196 | 0 |
| 1987 | 180,000 | 2,412,000 | 13.4 | 2.6 | 196 | 0 |
| 1988 | 168,000 | 2,059,000 | 12.3 | 2.2 | 200 | 2 |
| 1989 | 172,000 | 2,192,000 | 12.7 | 2.2 | 200 | 0 |
| 1990 | 196,000 | 2,351,000 | 12.0 | 2.3 | 225 | 13 |
| 1991 | 239,000 | 3,148,000 | 13.2 | 3.0 | 225 | 0 |
| 1992 | 216,000 | 2,979,000 | 13.8 | 2.8 | 240 | 7 |
| 1993 | 197,000 | 2,608,000 | 13.2 | 2.4 | 243 | 1 |
| 1994 | 192,000 | 2,444,000 | 12.7 | 2.2 | 256 | 5 |
| 1995 | 213,000 | 2,538,000 | 11.9 | 2.2 | 266 | 4 |
| 1996 | 234,000 | 2,792,000 | 11.9 | 2.3 | 274 | 3 |
| 1997 | 211,000 | 2,654,000 | 12.6 | 2.1 | 282 | 3 |
| 1998 | 220,000 | 2,521,000 | 11.5 | 2.0 | 290 | 3 |
| 1999 | 209,000 | 2,474,000 | 11.8 | 1.9 | 297 | 2 |
| 2000 | 230,000 | 2,582,000 | 11.2 | 2.0 | 305 | 3 |
| 2001 | 327,000 | 3,762,000 | 11.5 | 2.9 | 313 | 3 |
| 2002 | 326,000 | 4,320,000 | 13.3 | 3.3 | 324 | 4 |
| 2003 | 315,000 | 4,337,000 | 13.8 | 3.4 | 329 | 2 |
| 2004 | 269,000 | 3,759,000 | 14.0 | 2.9 | 329 | 0 |
| 2005 | 263,000 | 3,500,000 | 13.3 | 2.7 | 329 | 0 |
| 2006 | 259,000 | 3,422,000 | 13.2 | 2.6 | 341 | 4 |
| 2007 | 280,000 | 3,678,000 | 13.1 | 2.7 | 355 | 4 |
| 2008 | 321,000 | 4,225,000 | 13.2 | 3.2 | 355 | 0 |
| 2009 | 448,000 | 7,606,000 | 17.0 | 5.8 | 363 | 2 |
| 2010 * | | 6,300,000 | | 4.6 | 363 | 0 |

* 2010 weeks paid and IUR are estimates.

**Appendix 3: Wisconsin Employment, Average Weekly Wage and Average Weekly Benefit Amounts**

| Year | Insured Emplymt, Taxable Employers | Percent Change: Insured Emplymt | Average Weekly Wage | Percent Change: Avg Wkly Wage | Average Weekly Benefit | Percent Change: Avg Wkly Benefit | Max Wkly Benefit | Percent Change MaxWk Ben |
|---|---|---|---|---|---|---|---|---|
| 1974 | 1,313,000 | - - - | $169.39 | - - - | | | $99 | |
| 1975 | 1,276,000 | -2.8% | 182.45 | 7.7% | | | 113 | 14% |
| 1976 | 1,339,000 | 4.9 | 199.29 | 9.2 | | | 122 | 8 |
| 1977 | 1,390,000 | 3.8 | 208.15 | 4.4 | | | 133 | 9 |
| 1978 | 1,467,000 | 5.5 | 224.21 | 7.7 | | | 139 | 5 |
| 1979 | 1,524,000 | 3.9 | 240.39 | 7.2 | | | 149 | 7 |
| 1980 | 1,489,000 | -2.3 | 262.17 | 9.1 | $115.73 | | 160 | 7 |
| 1981 | 1,469,000 | -1.3 | 286.06 | 9.1 | 120.73 | 4% | 175 | 9 |
| 1982 | 1,417,000 | -3.5 | 299.95 | 4.9 | 133.46 | 11 | 191 | 9 |
| 1983 | 1,416,000 | -0.1 | 310.80 | 3.6 | 133.67 | 0 | 196 | 3 |
| 1984 | 1,503,000 | 6.1 | 325.53 | 4.7 | 132.53 | -1 | 196 | 0 |
| 1985 | 1,528,000 | 1.6 | 337.74 | 3.8 | 137.03 | 3 | 196 | 0 |
| 1986 | 1,564,000 | 2.4 | 343.55 | 1.7 | 131.64 | -4 | 196 | 0 |
| 1987 | 1,621,000 | 3.7 | 356.67 | 3.8 | 133.88 | 2 | 196 | 0 |
| 1988 | 1,685,000 | 3.9 | 372.22 | 4.4 | 137.49 | 3 | 200 | 2 |
| 1989 | 1,741,000 | 3.3 | 380.42 | 2.2 | 145.02 | 5 | 200 | 0 |
| 1990 | 1,785,000 | 2.5 | 397.38 | 4.5 | 154.03 | 6 | 225 | 13 |
| 1991 | 1,788,000 | 0.2 | 409.34 | 3.0 | 158.31 | 3 | 225 | 0 |
| 1992 | 1,826,000 | 2.1 | 433.27 | 5.8 | 155.35 | -2 | 240 | 7 |
| 1993 | 1,872,000 | 2.5 | 442.79 | 2.2 | 161.34 | 4 | 243 | 1 |
| 1994 | 1,940,000 | 3.6 | 457.14 | 3.2 | 165.97 | 3 | 256 | 5 |
| 1995 | 1,999,000 | 3.1 | 474.31 | 3.8 | 175.61 | 6 | 266 | 4 |
| 1996 | 2,031,000 | 1.6 | 490.43 | 3.4 | 179.86 | 2 | 274 | 3 |
| 1997 | 2,077,000 | 2.3 | 515.99 | 5.2 | 178.90 | -1 | 282 | 3 |
| 1998 | 2,123,000 | 2.2 | 540.61 | 4.8 | 190.99 | 7 | 290 | 3 |
| 1999 | 2,168,000 | 2.2 | 564.04 | 4.3 | 199.98 | 5 | 297 | 2 |
| 2000 | 2,196,000 | 1.3 | 582.75 | 3.3 | 211.80 | 6 | 305 | 3 |
| 2001 | 2,169,000 | -1.2 | 598.13 | 2.6 | 220.86 | 4 | 313 | 3 |
| 2002 | 2,133,000 | -1.7 | 617.70 | 3.3 | 229.66 | 4 | 324 | 4 |
| 2003 | 2,123,000 | -.5 | 634.71 | 2.8 | 228.99 | 0 | 329 | 2 |
| 2004 | 2,148,000 | 1.2 | 659.87 | 4.0 | 226.55 | -1 | 329 | 0 |
| 2005 | 2,174,000 | 1.2 | 675.10 | 2.3 | 229.84 | 1 | 329 | 0 |
| 2006 | 2,193,000 | 0.9 | 699.40 | 3.6 | 234.91 | 2 | 341 | 4 |
| 2007 | 2,200,000 | 0.3 | 725.20 | 3.7 | 243.91 | 4 | 355 | 4 |
| 2008 | 2,179,000 | -1.0 | 749.21 | 3.3 | 248.85 | 2 | 355 | 0 |
| 2009 | 2,044,000 | -6.2 | 742.18 | -0.9 | 257.04 | 3 | 363 | 2 |
| 2010 * | 2,032,000 | -0.6 | 751.89 | 1.3 | | | 363 | |

* 2010 Insured employment and wages are estimates.

**Appendix 4: Benefits and Taxes as Percentage of Total Wages**
(Benefits, Taxes and Taxable Wages in million $)

| Year | Benefits | Taxes | Total Wages Taxable Employers | Benefits as % of Total Wages | Taxes as % of Total Wages |
|---|---|---|---|---|---|
| 1974 | $110 | $106 | $11815 | .93% | .90% |
| 1975 | 283 | 106 | 12242 | 2.31 | .87 |
| 1976 | 202 | 193 | 13794 | 1.46 | 1.40 |
| 1977 | 192 | 239 | 15288 | 1.26 | 1.56 |
| 1978 | 170 | 283 | 17427 | .98 | 1.62 |
| 1979 | 221 | 286 | 19636 | 1.13 | 1.47 |
| 1980 | 480 | 233 | 20690 | 2.32 | 1.13 |
| 1981 | 452 | 215 | 22057 | 2.05 | .97 |
| 1982 | 688 | 221 | 22184 | 3.10 | 1.00 |
| 1983 | 519 | 301 | 23078 | 2.25 | 1.30 |
| 1984 | 347 | 562 | 25471 | 1.36 | 2.21 |
| 1985 | 406 | 571 | 26715 | 1.52 | 2.14 |
| 1986 | 352 | 643 | 28204 | 1.24 | 2.28 |
| 1987 | 304 | 630 | 30287 | 1.00 | 2.08 |
| 1988 | 266 | 567 | 32893 | .81 | 1.72 |
| 1989 | 302 | 511 | 34637 | .87 | 1.48 |
| 1990 | 341 | 417 | 37053 | .92 | 1.13 |
| 1991 | 480 | 350 | 38227 | 1.26 | .92 |
| 1992 | 437 | 358 | 41215 | 1.06 | .87 |
| 1993 | 394 | 391 | 43219 | .91 | .90 |
| 1994 | 377 | 418 | 46205 | .82 | .91 |
| 1995 | 418 | 421 | 49102 | .85 | .86 |
| 1996 | 471 | 415 | 51869 | .91 | .80 |
| 1997 | 445 | 419 | 55896 | .80 | .75 |
| 1998 | 452 | 414 | 59751 | .76 | .69 |
| 1999 | 466 | 431 | 63534 | .73 | .68 |
| 2000 | 515 | 442 | 66785 | .76 | .66 |
| 2001 | 791 | 432 | 67451 | 1.17 | .64 |
| 2002 | 949 | 430 | 68135 | 1.39 | .63 |
| 2003 | 932 | 497 | 69588 | 1.34 | .71 |
| 2004 | 795 | 596 | 73289 | 1.08 | .81 |
| 2005 | 752 | 687 | 75701 | .99 | .91 |
| 2006 | 753 | 684 | 79218 | .95 | .86 |
| 2007 | 845 | 649 | 82098 | 1.03 | .79 |
| 2008 | 997 | 630 | 83325 | 1.97 | .76 |
| 2009 | 1874 | 632 | 77382 | 2.42 | .82 |
| 2010* | 1319 | 851 | 77924 | 1.69 | 1.09 |

* 2010 figures are estimates.

## Appendix 5: Situations Leading to Balancing Account Charges

*Quit followed by eligible claim.* The principal situation that results in direct charging to the balancing account occurs when, for example, an employer lays off an employee who quit a job with a previous employer. In this case the proportion of benefit charges attributable to the wages paid by the employer that the worker quit are charged directly to the balancing account. Similarly, benefit charges attributable to a previous employer may be made to the balancing account when an employee is laid off by a later employer and has wage credits with a previous employer whose offer of suitable work the employee declined.

*Discharge for misconduct followed by eligible claim.* In cases in which an employee's work is terminated for misconduct and the employee is later laid off by another employer, the share of benefit charges paid by employers against whom the misconduct did not occur is limited by debiting the balancing account with a portion of the benefit charges equal to the percentage of base period wages paid by the employer discharging the employee for misconduct.

*Part-time continued employment.* Charges are also made to the balancing account when an employee continues working with no reduction of hours usually for a part time employer while on layoff from another (usually full time) employer. If partial benefits are paid, charges that would be made to the continuing employer's account had it laid off the individual are instead charged to the balancing account.

*Overpayment due to department error.* Charges are made directly to the balancing account when collection of an overpayment is waived because the overpayment resulted solely from agency error.

*Second benefit year.* Charges are also made to the balancing account with respect to benefits based on wages paid by each employer that was charged in an immediately preceding benefit year and has not employed the claimant since the start of that preceding benefit year.

*2002 supplemental benefits.* Benefits were also charged to the balancing account in 2002 for a temporary state program of supplemental benefits, a small portion of which were recovered in 2003.

*Benefits while enrolled in approved training.* Beginning in 2010 benefits that a claimant receives while in approved training will also be charged to the balancing account.

See Appendix 6 for the amount of each type of charge to the balancing account and Appendix 7 for the percentage of all benefits that each of these charges constitutes.

As explained on page 6 of the report, charges to the balancing account are made also for the "ten-percent write-off".

**Appendix 6: Benefits Directly Charged to Balancing Account**

**(not including charges for the Ten-Percent Write-Off)**

(All amounts in million $)

| Year | Quit | Mis-con-duct | Suit-able Work | Con-tinued Employ-ment | OP Waiver-Agency Error | Second Benefit Year | Temporary Supple-mental Benefits | Sub-Total – Bal Acct Direct Charges | All Fund Benefits |
|---|---|---|---|---|---|---|---|---|---|
| 1992 | $50.8 | $1.2 | $0.2 | $0.9 | ---- | ---- | ---- | $53.1 | $437.5 |
| 1993 | 47.7 | 1.1 | .2 | .9 | ---- | ---- | ---- | 49.9 | 393.9 |
| 1994 | 50.4 | 1.1 | .2 | 1.0 | $0.1 | ---- | ---- | 52.8 | 377.1 |
| 1995 | 61.0 | 1.4 | .2 | 1.1 | .2 | ---- | ---- | 63.9 | 418.2 |
| 1996 | 69.1 | 1.6 | .2 | 2.3 | .3 | $3.0 | ---- | 76.5 | 471.2 |
| 1997 | 67.6 | 1.8 | .3 | 3.7 | .3 | 12.1 | ---- | 85.8 | 444.9 |
| 1998 | 68.7 | 1.9 | .3 | 3.7 | .2 | 10.4 | ---- | 85.2 | 452.0 |
| 1999 | 73.4 | 2.0 | .3 | 3.6 | .2 | 10.4 | ---- | 89.9 | 466.2 |
| 2000 | 81.2 | 2.3 | .3 | 3.6 | .2 | 11.6 | ---- | 99.2 | 515.6 |
| 2001 | 116.7 | 3.4 | .5 | 4.8 | .2 | 16.6 | ---- | 142.2 | 790.7 |
| 2002 | 111.8 | 3.8 | .5 | 5.9 | .6 | 27.7 | $10.8 | 161.1 | 949.3 |
| 2003 | 98.8 | 3.6 | .5 | 6.8 | .3 | 30.8 | -0.2 | 140.6 | 931.8 |
| 2004 | 84.7 | 2.8 | .5 | 6.3 | .4 | 24.7 | ---- | 119.4 | 795.2 |
| 2005 | 89.4 | 2.9 | .5 | 5.2 | .4 | 19.8 | ---- | 118.2 | 752.4 |
| 2006 | 94.0 | 3.2 | .4 | 5.2 | .3 | 18.5 | ---- | 122.4 | 752.6 |
| 2007 | 104.4 | 3.9 | .5 | 5.3 | .3 | 19.3 | ---- | 133.7 | 845.2 |
| 2008 | 112.4 | 4.2 | .4 | 6.1 | .4 | 24.9 | ---- | 148.4 | 996.8 |
| 2009 | 167.7 | 7.2 | .5 | 10.5 | .5 | 49.7 | ---- | 236.1 | 1873.6 |

**Appendix 7: Percent of All Benefits Charged to Balancing Account**
**((not including charges for the Ten-Percent Write-Off)**

| Year | Quit | Mis-con-duct | Suit-able Work | Con-tinued Employ-Ment | Waiver-Agency Error | Second Benefit Year | Temporary Supple-mental Benefits | Percent Of All Benefits |
|---|---|---|---|---|---|---|---|---|
| 1992 | 11.61% | .27% | .05% | .21% | --- | --- | --- | 12.14% |
| 1993 | 12.11 | .28 | .05 | .23 | --- | --- | --- | 12.67 |
| 1994 | 13.37 | .29 | .05 | .27 | .03% | --- | --- | 14.00 |
| 1995 | 14.59 | .33 | .05 | .26 | .05 | --- | --- | 15.28 |
| 1996 | 14.66 | .34 | .04 | .49 | .06 | .64% | --- | 16.24 |
| 1997 | 15.19 | .40 | .07 | .83 | .07 | 2.72 | --- | 19.29 |
| 1998 | 15.20 | .42 | .07 | .82 | .04 | 2.30 | --- | 18.85 |
| 1999 | 15.74 | .42 | .06 | .77 | .04 | 2.23 | --- | 19.27 |
| 2000 | 15.75 | .43 | .06 | .70 | .06 | 2.25 | --- | 19.25 |
| 2001 | 14.76 | .43 | .04 | .61 | .05 | 2.10 | --- | 17.99 |
| 2002 | 11.78 | .40 | .06 | .62 | .06 | 2.92 | 1.14% | 16.97 |
| 2003 | 10.60 | .38 | .05 | .73 | .03 | 3.31 | -.03 | 15.09 |
| 2004 | 10.65 | .35 | .06 | .79 | .05 | 3.11 | --- | 15.01 |
| 2005 | 11.88 | .39 | .07 | .69 | .05 | 2.63 | --- | 15.71 |
| 2006 | 12.49 | .43 | .05 | .69 | .04 | 2.46 | --- | 16.16 |
| 2007 | 12.35 | .47 | .06 | .62 | .04 | 2.28 | --- | 15.82 |
| 2008 | 11.28 | .42 | .04 | .61 | .04 | 2.50 | --- | 14.89 |
| 2009 | 8.95 | .38 | .03 | .56 | .03 | 2.65 | --- | 12.60 |