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

Wisconsin's record-setting economic performance during 2023 contributed to year-over-year strengthening of the Unemployment Insurance (UI) Trust Fund, while total claimant payments increased over the year as workers saw their wages increase. The Wisconsin Department of Workforce Development (DWD) recognizes the critical role the UI Trust Fund plays in providing benefits to workers who lose jobs through no fault of their own and each biennium delivers this Financial Outlook Report for the Governor, Legislature and Unemployment Insurance Advisory Council (UIAC) in accordance with Wis. Stat. § 16.48.

During 2023, Wisconsin achieved a record low unemployment rate of 2.6% and reached a record high number of jobs. The UI Trust Fund balance grew over the year, climbing to $1.6 billion at the end of 2023, up from $1.3 billion at the end of 2022. This growth was achieved while the tax schedule in effect was Schedule D, the schedule with the lowest contribution rate for employers.

Over the year, improving wages for workers contributed to an increase in benefits paid out of the UI Trust Fund to claimants. In 2023, DWD's Unemployment Insurance Division paid approximately $320 million in regular UI benefit payments, up from $271 million in 2022.

Wisconsin's maximum weekly benefit, set in 2013, remains at $370 while the average weekly benefit has held at 29% of average weekly wages since 2020, which is an all-time low. Historically, the benefit replacement rate varied between 32% to 46% of average weekly wages, with a 40% average since 1973. The lower the benefit replacement rate, the greater the financial impact is on UI claimants due to a greater loss of income. Wisconsin's maximum weekly benefit lags the national average of $525.

While the UI Trust Fund has grown from about $1 billion at the end of 2021, it remains below the level that the U.S. Department of Labor (US DOL) recommends. The US DOL calculates an Average High Cost Multiple (AHCM) of 1.0 where a trust fund would be expected to pay UI benefits at a historically high rate for a year without being completely exhausted. For Wisconsin to meet that standard, the UI Trust Fund would need a balance of about $2.61 billion. Nineteen states meet the minimum solvency standard set by the US DOL. Even with continued economic growth and historically low unemployment rates, Wisconsin's UI Trust Fund is not expected to reach an AHCM level of 1.0 by 2026.

Employers are paying the lowest rate, Schedule D, into the UI Trust Fund because the balance was above $1.2 billion on June 30, 2023. Provided that the UI Trust Fund balance remains above $1.2 billion on June 30, 2024, Schedule D will remain in effect for 2025.

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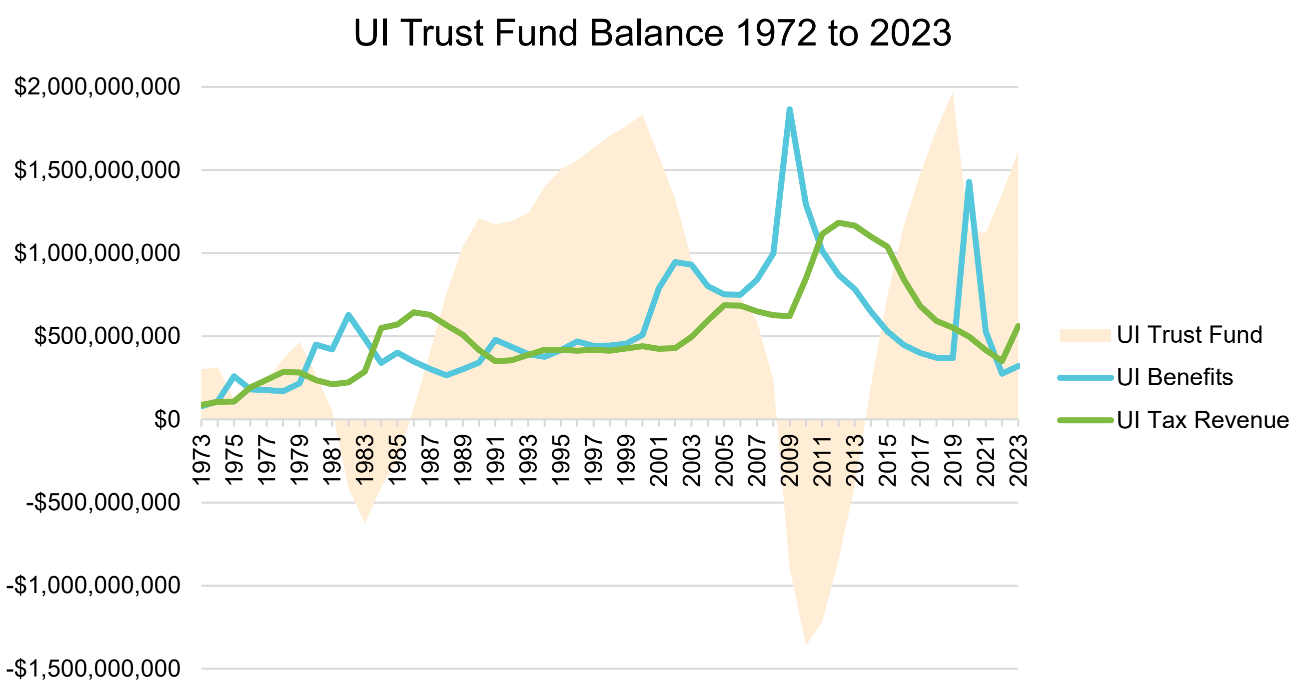
Introduction

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

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



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The COVID-19 pandemic caused a rapid increase in UI benefit payments when UI benefit payments had been historically low. As Wisconsin's economy recovered from the effects of the COVID-19 pandemic, UI benefit payments have decreased. At the end of 2023, the UI Trust Fund had a balance of $1.6 billion. This is an increase of $300 million from the 2022 ending balance of $1.3 billion.

Section 1 of this Financial Outlook provides background on the Wisconsin UI Benefits and Financing System. Section 2 provides a recent history of the UI Trust Fund.[1] Section 3 summarizes any recent UI law changes and their impacts on UI financing, which may affect current and future UI benefits and tax revenues. Section 4 provides UI Trust Fund projections through calendar-year end 2026. Finally, Section 5 examines recent trends in the benefit replacement rate.

[1] For a full history of the modern UI financing system, 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 a waiver, must be actively searching for work. A person's UI benefit amount is based on their past wages, up to a maximum weekly benefit rate of $370. Wisconsin's maximum weekly benefit rate is below the national average of $525 weekly and below the average of $587 weekly in bordering states.[2] In Wisconsin, a claimant may receive up to 26 weeks of regular UI benefits, which is the same maximum duration in all but 10 states.

Covered Employers in the Unemployment Insurance System

Most employers in Wisconsin are "covered employers" who must participate in the UI program. Covered employers fall into two groups:

Taxable Employers

The vast majority of employers in Wisconsin are taxable employers, also known as contributory employers. These employers fund UI benefit payments and partially fund UI program operations through quarterly state and federal taxes. Unemployment benefit risk is spread across all employers through taxes 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. By statute, state and local government units are classified as reimbursable employers.[3] Nonprofit organizations and Native American tribes are initially classified as taxable employers but can elect to be reimbursable employers. UI administers benefit payments to individuals who worked for reimbursable employers and then bills those employers directly to reimburse the UI Trust Fund for the UI benefits paid.

Unemployment Insurance Taxes (Contributions)

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

State Taxes

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, an employer is assessed UI taxes on the first $14,000 in annual wages paid to each employee, the "taxable wage base." The tax rate an employer pays on wages up to the taxable 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 for a calendar year is determined

[2] Averages provided exclude benefit allowances for dependents. Complete data is provided in Appendix B.
[3] Under Wis. Stat. §108.15 (3), government units other than the state may elect contribution financing.

by the UI Trust Fund balance on June 30 of the previous year. The higher the UI Trust Fund balance, the lower the tax rate schedule in effect. State legislation (2021 Wis. Act 59) set the rate schedule for 2022 and 2023 to Schedule D, the lowest rate schedule. The UI Trust Fund balance on June 30, 2023 determined the rate schedule for 2024 to be Schedule D. If the UI Trust Fund balance remains above $1.2 billion on June 30, 2024, Schedule D will be in effect for 2025.

The following table outlines the four tax schedules:

Tax Schedule	UI Trust Fund Balance (as of June 30 of the previous year)	Employer Contribution Rate
Schedule A	Less than $300,000,000	Highest
Schedule B	Greater than or equal to $300,000,000 but less than $900,000,000	
Schedule C	Greater than or equal to $900,000,000 but less than $1,200,000,000	
Schedule D	Greater than or equal to $1,200,000,000	Lowest

The second factor impacting the employer's tax rate is the employer’s experience with the UI system known as their "experience rating." The more UI benefits paid to current or former employees of an employer, the higher the tax rate that employer will pay, assuming the employer's payroll remains constant. Wisconsin employers not previously covered by the Wisconsin UI system are assigned a new employer tax rate for their first three years of 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.

Once the tax schedule and employer rates are determined, the total tax rate is composed of the basic tax and the solvency tax.

Basic Taxes

The basic tax is generally the larger portion of the state tax. The basic tax is the portion of the employer-paid tax 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 UI Trust Fund and credited to the UI Balancing Account. UI benefit payments not charged to specific employers are charged to the UI Balancing Account. The solvency tax is paid by taxable employers and covers risk sharing among employers participating in the UI system.

Allocation of State Taxes

Administrative and Program Integrity Assessment

Since 2017, a separate administrative assessment, used for program integrity purposes, has been collected as part of the UI state tax. The administrative 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

Each employer has its own employer account that measures the employer's experience with the UI system. It is not a savings account for the employer to pay future benefits. 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. The balance of the employer's account is the net difference between all basic taxes collected and the benefit payments charged over the employer's history, also known as the Reserve Fund Balance. If an employer's account balance falls below zero, benefits will still be paid to the employer's eligible former workers.

An employer's account balance on June 30 determines its tax rate.[4][5]

UI Balancing Account

The UI Balancing Account is a shared risk account within the UI Trust Fund. This account insulates employers from certain charges against their employer account to prevent those charges from impacting their experience rating. These charges are for benefits that by statute, are not charged to employers' accounts, such as employees quitting to take another job and then becoming unemployed afterwards. The UI Balancing Account is primarily funded by two sources.[6] The first source is the employer-paid solvency tax, which totaled $158.2 million in 2023. The second source is interest earned on the UI Trust Fund, which was $34.8 million in 2023. If the UI Balancing Account balance falls below zero, benefits will still be paid to eligible claimants.

Certain UI benefit payments are, by statute, not charged to a specific employer's account but are instead charged to the UI Balancing Account.[7] There are seven basic categories of UI benefit payments charged to the UI Balancing Account: write-offs, quits, misconduct, substantial fault, continued employment, approved training, and second benefit year. Full descriptions of these charges can be found in Appendix C. There were $53.4 million in direct charges to the UI Balancing Account in 2023.

The UI Balancing Account balance represents the history of revenues credited and benefits charged to the account. The balance was negative $1.16 billion as of Dec. 31, 2023.

[4] 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. Additional details on employer tax rates, including the current rate table, can be found on our website: https://dwd.wisconsin.gov/ui/employers/taxrates.htm

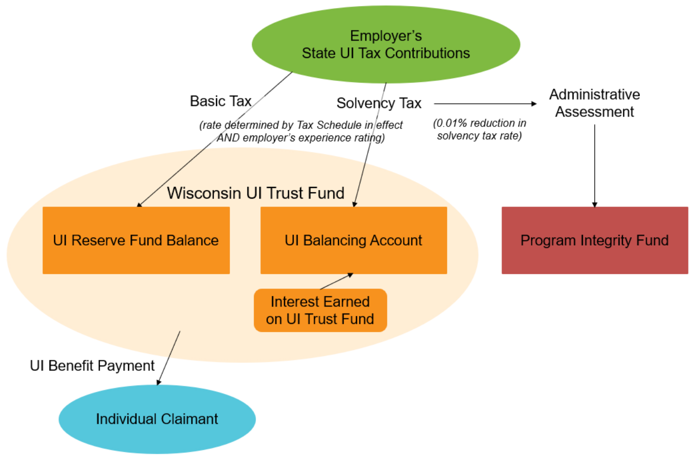
[5] During the COVID-19 pandemic, many state and federal laws relieved employers of the burden of future tax rate increases due to heightened payments made during the pandemic.

[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] Wis. Stat. § 108.07

Composition of UI Trust Fund

In summary, the UI Trust Fund balance is the sum of employers' reserve funds and the UI Balancing Account. The below diagram is an example of the UI process for a taxable employer:



Federal Unemployment Taxes (FUTA) [8]

The FUTA tax is distinguishable 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. FUTA taxes pay for the following:

Unemployment Insurance Administration

The administration of state UI programs is funded by FUTA tax revenue. The 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.

Emergency Unemployment Compensation (EUC) and Extended Benefits (EB)

EUC programs are temporary federal programs that provide additional benefits to claimants who have exhausted state UI benefits. Funding for EUC programs is solely by FUTA tax revenue. Congress typically authorizes EUC payments during severe recessions. During the COVID-19 pandemic, Congress authorized Pandemic Emergency Unemployment Compensation (PEUC) and other emergency programs.

The EB program extends benefits up to 20 additional weeks for claimants who have exhausted state UI benefits and EUC benefits. Funding for the EB program is shared equally by the state and federal government. The state portion is funded by the state's UI trust fund and the federal portion is funded by FUTA tax revenue. During periods of high employment, the federal government may provide additional funding for the EB program to cover the state's share.

UI Trust Fund Borrowing

When states have exhausted their state trust fund and need to borrow to pay benefits, the FUTA tax creates a revenue source for borrowing. In Wisconsin, this means the overall UI Trust Fund balance would need to be negative. Individual employer reserve fund balances may be negative

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

or the UI Balancing Account may be negative, but as long as the sum of the UI Trust Fund is positive, Wisconsin would not need to borrow to pay benefits. After the UI Trust Fund was depleted in 2009, Wisconsin borrowed from the federal government to pay benefits and finished repaying all federal loans with interest in 2014. Unlike many other states, Wisconsin did not need to borrow funds during the COVID-19 pandemic.

Costs of Borrowing Federal Funds to Pay UI Benefits

FUTA Credit Reductions

The tax rate for FUTA is 6.0% on the first $7,000 of an employee’s wages; however, up to 5.4% can be credited back to employers if certain requirements are met. These requirements include the state maintaining a positive trust fund balance; the employer timely paying their state UI tax; and the employer paying the state tax on all the same wages that are subject to FUTA. If a state's trust fund remains negative on January 1 for two consecutive years, the FUTA tax credit is reduced by 0.3 percentage points each year the state's loan against the trust fund is outstanding. From 2011 through 2013, Wisconsin employers were subject to FUTA tax credit reductions for a total cost to employers of $291 million. The additional federal taxes paid by Wisconsin employers were used to repay the federal loans. When the UI Trust Fund balance 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 allocated state General Purpose Revenue (GPR) to cover interest due on the UI loan. In total, $103 million in interest costs were assessed on UI Trust Fund loans due to the Great Recession; employers paid $78 million through SAFI and the remaining $25 million was paid with Wisconsin GPR.

There is a significant cost to employers associated with borrowing from the federal government.[9] During the Great Recession of 2008, the total cost to employers was $369 million ($291 million in increased FUTA taxes and $78 million through SAFI).[10] This cost was paid by employers who remained in business during the Great Recession, even though employers who went out of business caused more layoffs and, accordingly, more UI claims.

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

[10] The Great Recession of 2008 caused an increase in regular UI benefit payments and federal extensions beginning in 2008 and continuing through 2012.

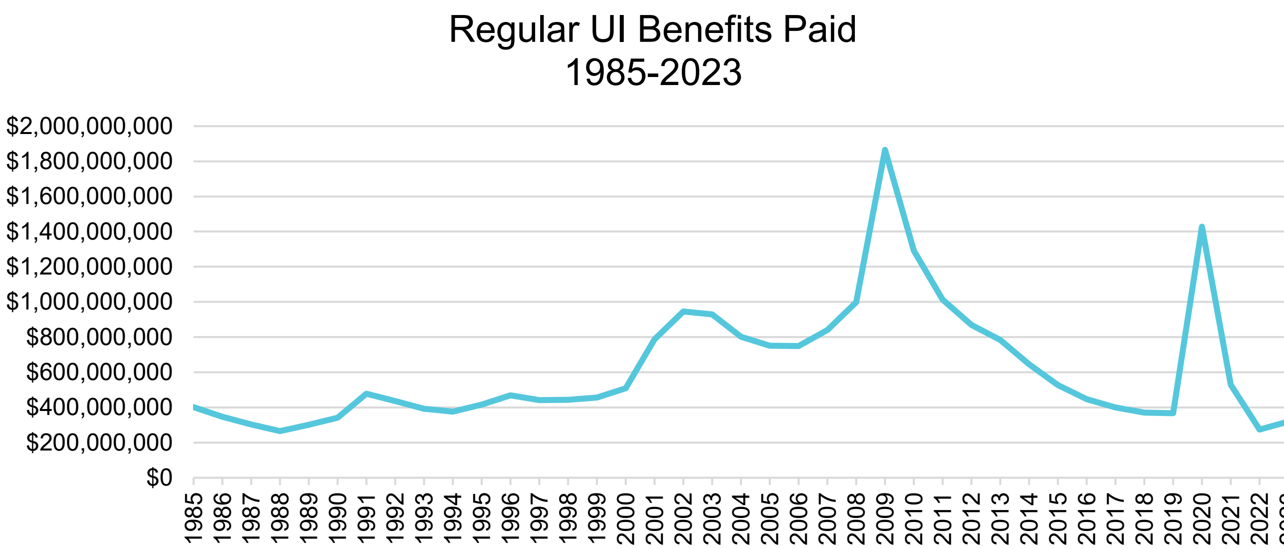
Section 2: Recent History of the Wisconsin Unemployment Insurance Trust Fund

The modern history of the current UI financing system begins in 1981.[11] This section focuses on the recent experience of the Wisconsin UI Trust Fund, beginning in 2022.

January 2022 through December 2023

By the end of 2021, the UI Trust Fund balance was $1.0 billion and it grew steadily in 2022 and 2023. The UI Trust Fund balance at the end of 2022 was $1.3 billion and at the end of 2023, $1.6 billion. The tax schedule in effect during this time was Schedule D, the schedule with the lowest contribution rate for employers.

During 2022 and 2023, UI benefit payments fell below pre-pandemic levels to levels not seen since the late 1980s. In 2023, UI benefit payments totaled $320 million, up from $271 million in 2022. By comparison, in 2018 and 2019, UI benefit payments were $376 million and $372 million, respectively.



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As of May 11, 2023, the federal government ended the federal COVID-19 Public Health Emergency declaration. By then, federal pandemic UI programs had long ended. Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), and Federal Pandemic Unemployment Compensation (FPUC) ended on Sept. 4, 2021. In 2021 $1.8 billion, and in 2022 $43.7 million in benefits were paid through these federal benefit programs.

Since the COVID-19 pandemic, the total number of employers with active unemployment accounts has increased by 20,000 (roughly 15%). Accordingly, solvency taxes increased and the UI Balancing Account grew during the reporting period. Approximately $135 million in solvency taxes were collected in 2022 and in 2023, $158 million in solvency taxes were collected. The UI Balancing Account balance at the end of 2021 was negative $1.47 billion.[12] By the end of 2022, the balance of the UI Balancing Account was negative $1.34 billion and at the end of 2023, negative $1.16 billion. This is an increase of approximately 8.8% and 13.4% from year to year, respectively. The negative balance in the UI

[11] See Appendix A for details on the modern history of the UI Trust Fund.

[12] Laws passed related to the COVID-19 pandemic, 2019 Wisconsin Act 185 and 2021 Wisconsin Act 4, allowed for regular UI benefits related to the COVID-19 pandemic to be charged to the UI Balancing Account rather than individual employers.

Balancing Account reflects an overall imbalance in the structure of the UI financing system. Employers' experience with the UI system is not reflecting actual charges incurred and, by benefits instead being charged against the UI Balancing Account, all employers are paying for those charges rather than the employers actually incurring the charges. This imbalance strains the fundamental public policy, stated by statute, that "[e]ach employing unit in Wisconsin should pay at least a part of this social cost, connected with its own irregular operations, by financing benefits for its own unemployed workers." Wis. Stat. § 108.01(1).

Despite the net growth of the UI Trust Fund, its solvency rating has not yet reached levels recommended by US DOL. US DOL's recommended **minimum level** for trust fund solvency is 1.0.[13] At that level, the UI Trust Fund should be able to pay UI benefits at historically high benefit rates for a year without being completely exhausted. By the end of 2023, the AHCM had climbed to 0.64, up from 0.55 in 2022. Though improving, Wisconsin has not seen a 1.0 AHCM value since 2000. To meet the minimum level AHCM, Wisconsin's UI Trust Fund would need a balance of about $2.61 billion. As of Jan. 1, 2024, 19 states met the 1.0 AHCM minimum solvency standard set by US DOL.

[13] Additional details on the AHCM can be found in the 2024 Solvency Report, published by US DOL.

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

At the Jan. 4, 2024 meeting, the UIAC agreed to the statutory changes described in the 2024 UIAC Activities Report but the Legislature did not act on those proposed changes.

Federal law changes

There have been no federal law changes that impact UI benefits, UI taxes, or the UI Trust Fund enacted during the reporting period.

State law changes

There have been no state law changes that impact UI benefits, UI taxes, or the UI Trust Fund enacted during the reporting period.

Section 4: UI Trust Fund Projection

UI Trust Fund Projection Methodology

The UI Trust Fund projection is the result of many estimates including future projections of the economy, unemployment insurance benefit recipiency, and estimated UI tax revenue.

Economic projections are from S&P Connect (S&P). The projections include the Wisconsin unemployment rate, labor force growth, and wage growth. The unemployment rate is used to project future UI benefits. The labor force growth and wage growth estimates are used in projections of UI benefit payments and UI tax revenue.

The S&P economic projection assumes a slightly higher unemployment rate in 2024 than in 2023. The unemployment rate is also expected to increase slightly in 2025 and 2026. 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 over the projection period.

UI tax revenue is based upon the projections of covered payroll as well as UI benefits charged to employer accounts. Compared to recent years, the labor force is expected to grow much more slowly, which leads to slower increases in UI tax revenue.

UI Trust Fund Projections

Unemployment Reserve Fund Activity
(Millions $)

	CY 2023	CY 2024	CY 2025	CY 2026
Opening Unemployment Reserve Fund Balance	$1,274	$1,616	$1,896	$2,160
Revenues:				
State Unemployment Revenues (employer taxes)	$567	$580	$582	$583
Interest Income	$35	$44	$51	$57
Federal Reimbursement for UI Benefits				
State General Purpose Revenue	$60			
Total Revenue	$663	$624	$633	$640
Expenses:				
Unemployment Benefits	$320	$344	$369	$393
Ending Reserve Fund Balance[14]	**$1,616**	**$1,896**	**$2,160**	**$2,407**

Projections from Wisconsin Unemployment Insurance Division based upon Wisconsin Unemployment Insurance data and S&P Wisconsin projections March 2024.

The UI Trust Fund is expected to grow over the projection period due to UI benefits continuing to be low and UI tax revenue growing. The UI Trust Fund is not expected to meet the $2.61 billion balance to obtain a 1.0 AHCM value in the projection period.

[14] 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.

Section 5: UI Benefit Replacement Rate

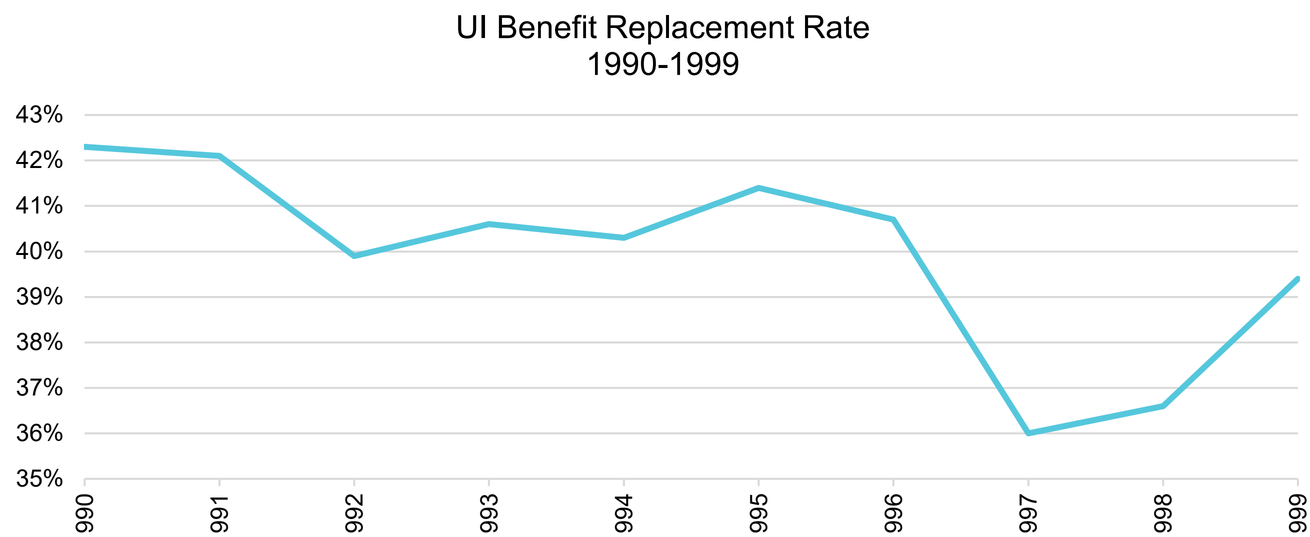
This section examines recent trends in the benefit replacement rate. The benefit replacement rate is the percentage in which the average weekly UI benefits paid to claimants compare to their average weekly wages. For example, a benefit replacement rate of 33% would mean average UI payments account for approximately one-third of average weekly wages.

The current maximum weekly benefit rate of $370 was set by 2013 Wisconsin Act 20 and became effective over 10 years ago on Jan. 5, 2014. Prior to 2013, the legislature historically increased the maximum weekly benefit rate regularly, either annually or every few years.

The current benefit replacement rate hit an all-time low of 29% in 2020 and stayed the same in 2021, 2022, and 2023. Previously, the benefit replacement rate varied between 32% and 46% of average weekly wages, with the average 40% since 1973. The lower the benefit replacement rate, the greater the financial impact on UI claimants because of a greater loss of income. The lower the replacement rate, the more people stand to fall below the poverty line during an economic downturn. Nationally, UI benefits paid during the COVID-19 pandemic helped keep 5.5 million people above the poverty line.[15]

1990s

There was a yearly deficit between UI benefit payments and tax revenue in the 1990s; however, this deficit was not due to increases in the maximum benefit rate. In fact, the real value of UI benefits to the unemployed fell during this time. The UI benefit replacement rate declined over the 1990s. The average weekly benefit amount was 42.3% of the average weekly wage in 1990 and fell to 39.4% in 1999. Although the benefit replacement rate was declining, the value of individual UI benefits paid increased in the late 1990s as the average wage increased over the period. The higher an individual's wages, the higher the amount of a person's benefit entitlement. UI 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.



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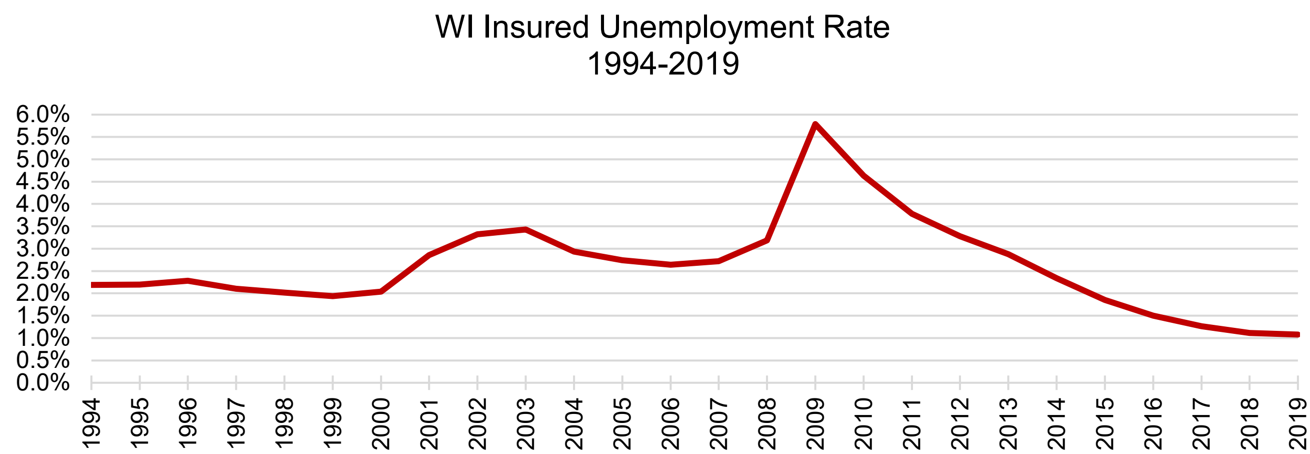
[15] Fox, Liana E., and Kalee Burns. *The Supplemental Poverty Measure: 2020, Current Population Reports*. U.S. Census Bureau, September 2021.

2000s and the Great Recession

There was a decline in UI benefit payments after the Great Recession due to a decline in unemployment claims and the value of UI benefits not keeping pace with the growth in wages over the last few decades, as shown by the declining replacement rate.

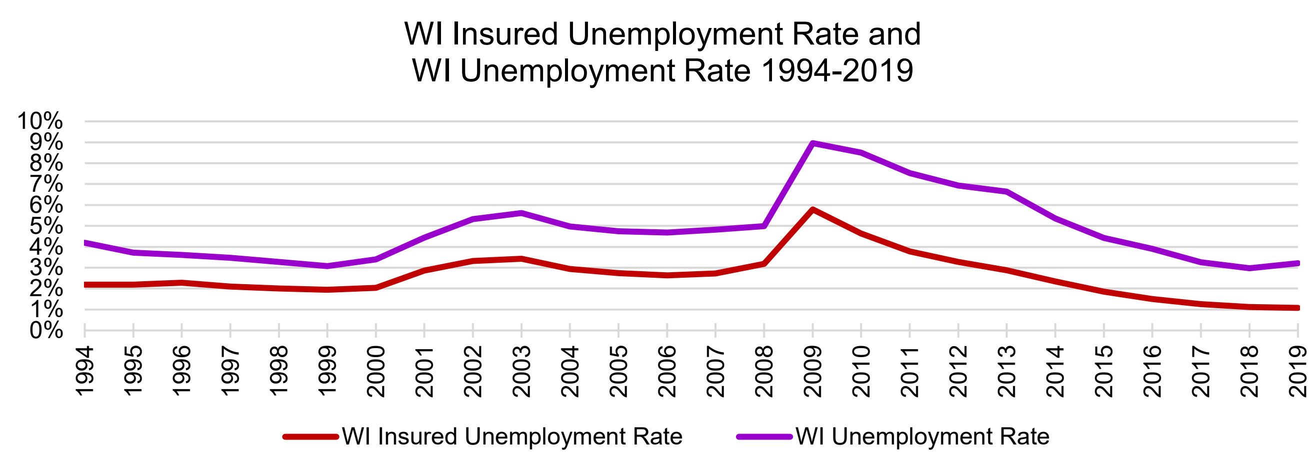
UI benefit payments continued at historically low levels from the end of the Great Recession through March 2020. There are two complementary reasons for this decline in UI benefit payments: a decline in unemployment claims, and the value of unemployment benefits relative to wages.

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

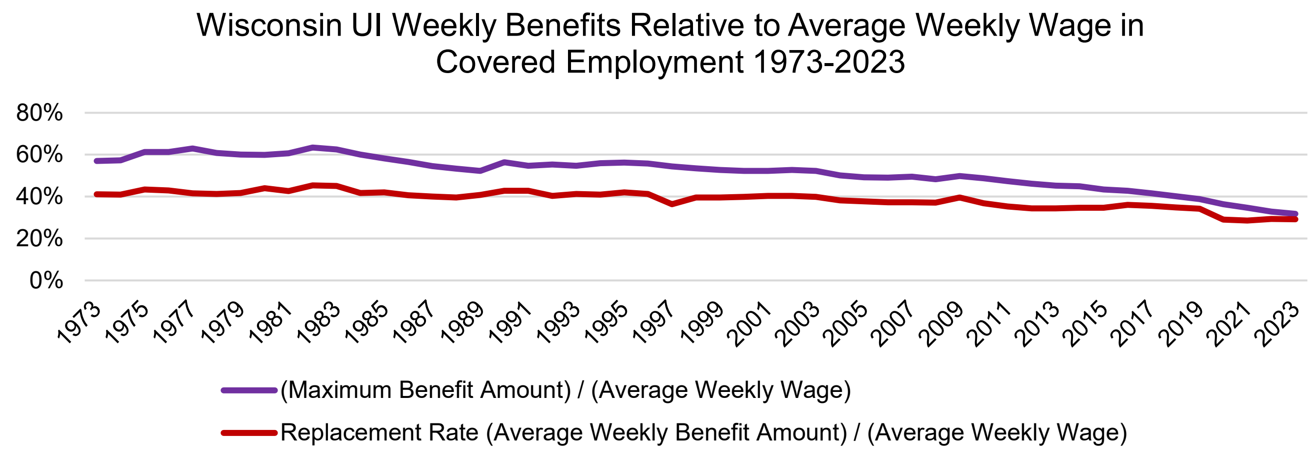
This decline in claim activity is even more pronounced when compared to the overall unemployment rate during the same period. Unemployment rates for the years immediately before the COVID-19 pandemic were very similar to rates reported in the late 1990s, but the rate of unemployment claims was approximately 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 COVID-19 pandemic, there had been a break in the historic relationship between the unemployment rate and unemployment claims. If UI benefit claims following the Great Recession had returned to normal claim levels, even with the lower unemployment rate, UI benefit payments would be expected to be $175 million to $250 million more per year. This equates to an increase of about $550 million to $790 million in the UI Trust Fund balance between 2015 and 2019.

The second reason for a decline in UI benefit payments is due to the value of UI benefits not keeping pace with the growth in wages over the last few decades.



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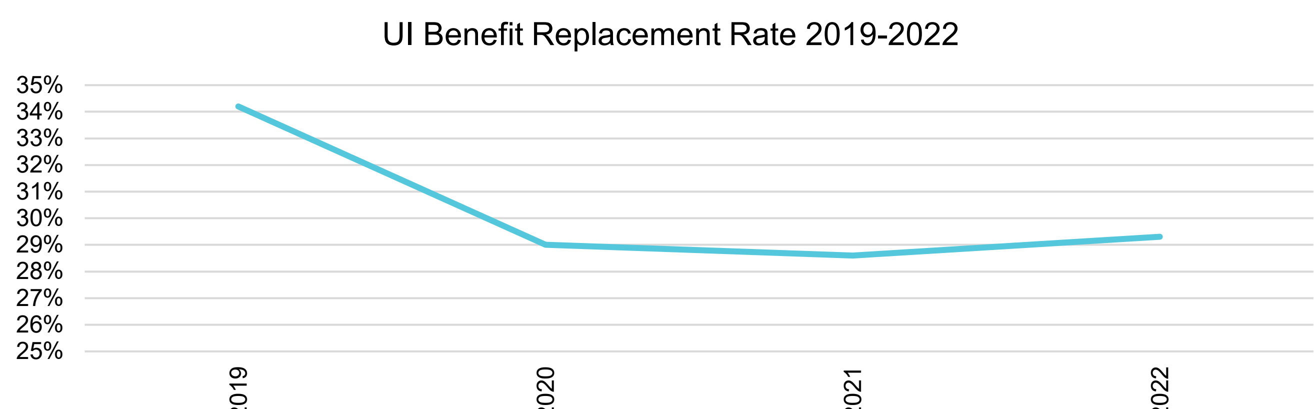
As the chart above illustrates, there has been a constant decrease in the maximum benefit rate relative to the average weekly wage. From the end of the Great Recession forward, there has been a sharp decline in the replacement rate of the UI weekly benefit rate. As this ratio falls, the value of the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

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 five years. In 2014 the maximum weekly benefit rate increased to $370, where it has remained. Maximum weekly benefit amounts since 1993 are listed in Appendix D.

COVID-19 Pandemic

The benefit replacement rate dropped from 34% in 2019 to 29% in 2020. The 29% benefit replacement



rate stayed the same in 2021 and 2022, as well.

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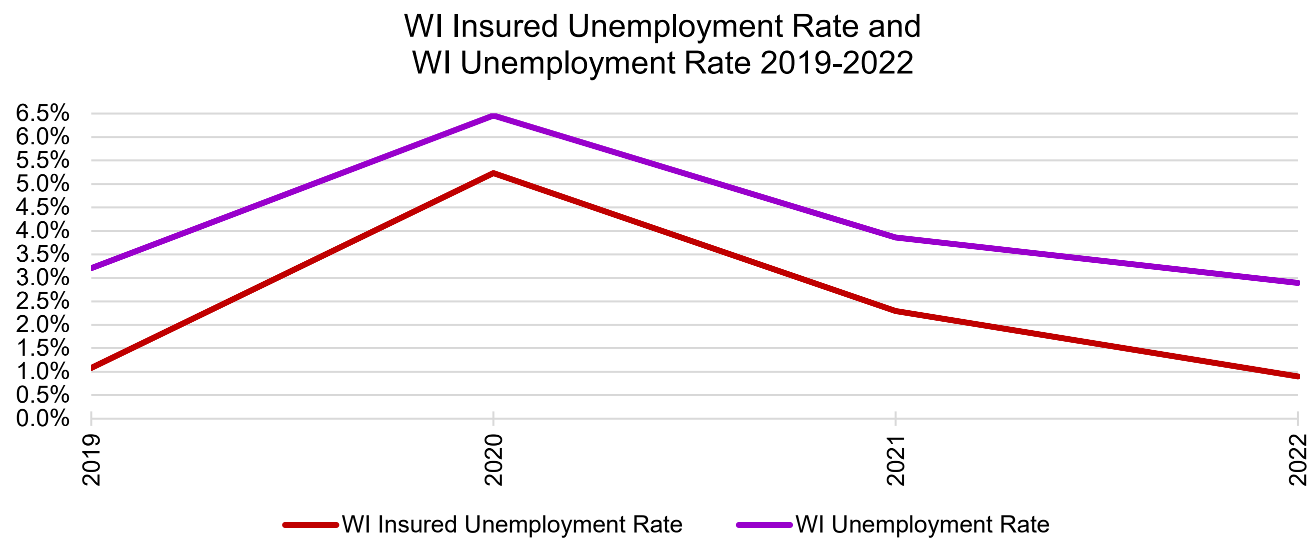
Despite the flat-line of the benefit replacement rate, the difference between Wisconsin's insured unemployment rate and unemployment rate widens.

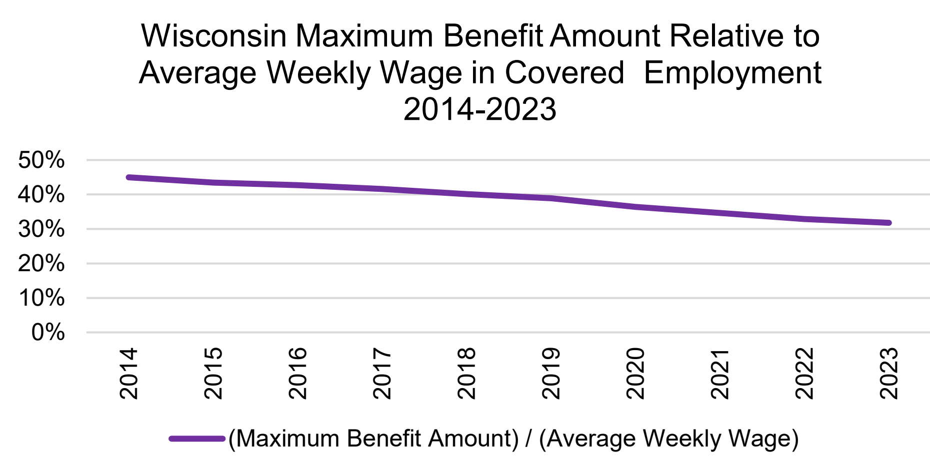


U.S. Employment and Training Administration, Insured Unemployment Rate in Wisconsin [WIINSUREDUR], U.S. Bureau of Labor Statistics, Unemployment Rate in Wisconsin [WIUR], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/

Current

The benefit replacement rate in 2023 was 29%. This is the same benefit replacement rate as during the COVID-19 pandemic.

Currently, the maximum benefit amount is only 32% of the average weekly wage. Historically, the maximum benefit amount equated to approximately 50% of the average weekly wage. Since the last change to the maximum weekly benefit rate went into effect in 2014, the percentage of the maximum benefit amount compared to the average weekly wage has consistently declined.



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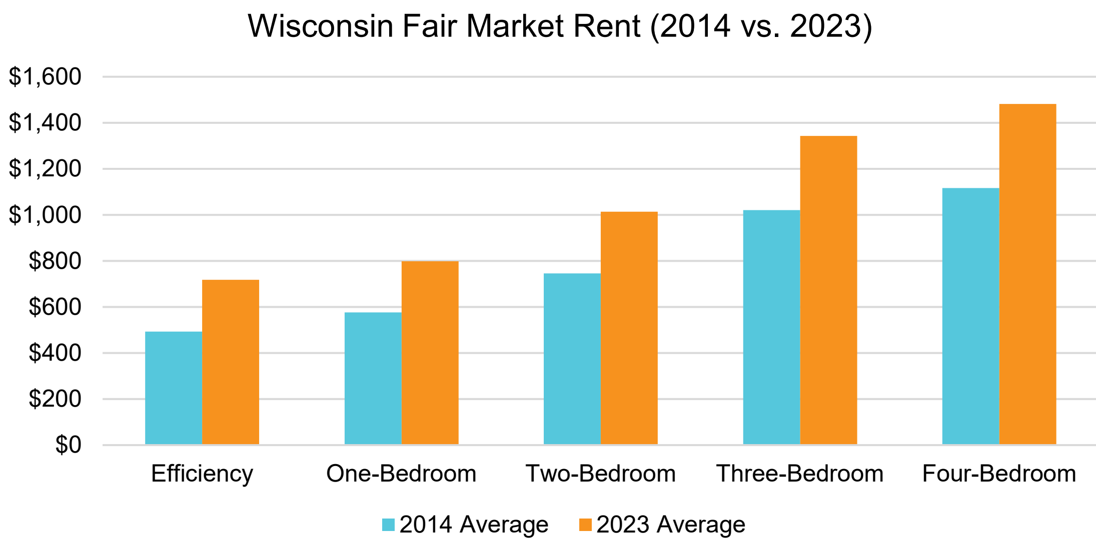
The cost of living has increased substantially since the last increase in the maximum weekly benefit rate became effective in 2014. For example, in 2014, the average fair market rent in Wisconsin ranged from $493 for an efficiency unit to $1,117 for a four-bedroom. In 2023, the average fair market rent in Wisconsin for an efficiency unit was $718 and four-bedroom was $1,482. As the graph below shows, fair market rent for a two-bedroom in 2014 would allow individuals to rent an efficiency unit in 2023.



Housing and Urban Development Fair Market Rents (40th Percentile Rents) https://www.huduser.gov/portal/datasets/fmr.html#year

Summary

Record low UI benefit payments are not only due to the record low unemployment rate. In fact, the recipiency rate for UI benefits is much lower than the average. In 2023, approximately 29% of individuals who were unemployed received UI benefits compared to approximately 50% historically. In 2013, before the last raise to the maximum weekly benefit rate, the recipiency rate was approximately 43%. The current low recipiency rate shows the unemployed population is not receiving benefits.

Conclusion and Recommendations

The current conditions of stable, low unemployment and economic growth provide a valuable opportunity to examine the UI Trust Fund and how UI benefits are being administered.

After weathering the COVID-19 pandemic, the Wisconsin UI Trust Fund stood at about $1.6 billion at the end of 2023. While employers are paying the lowest contribution rate, or Schedule D, into the UI Trust Fund, it is forecast to grow and reach about $2.4 billion by 2026. The US DOL standard for states is a trust fund that would be able to pay historically high benefit rates for a year without being completely exhausted. For Wisconsin, that benchmark would be $2.6 billion.

Wisconsin last adjusted its maximum weekly benefit to $370 in 2013. The national average is $525 per week, with bordering states averaging $587 per week. The current benefit replacement rate hit an all-time low of 29% in 2020 and stayed the same in 2021, 2022, and 2023. Historically, the benefit replacement rate varied between 32% and 46% of average weekly wages, with an average of 40% since 1973. The lower the replacement rate, the more people stand to fall below the poverty line during an economic downturn. Nationally, UI benefits helped keep 5.5 million people who lost their jobs through no fault of their own above the poverty line during the COVID-19 pandemic.

The Secretary recommends that the UIAC review opportunities to bring Wisconsin's UI benefits in line with neighboring states. UI benefit payments to workers who lose their jobs through no fault of their own are vital to keep families from falling into poverty during their job searches.

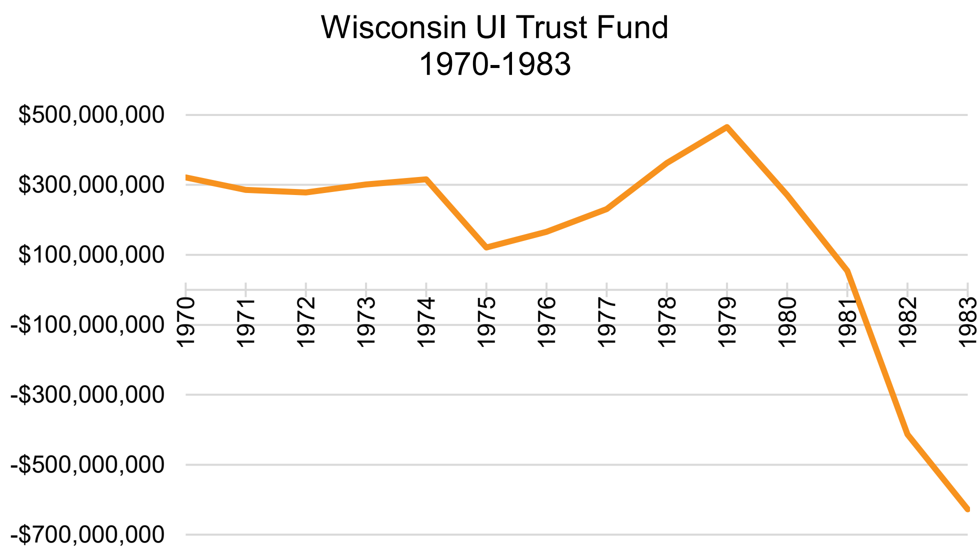
The Secretary further recommends a complete review of the UI Trust Fund and its funding mechanisms, including the UI Balancing Account, the experience rating system for employers, and rate schedule triggers. The current triggers are too slow to react to economic change, and a recession could significantly deplete the UI Trust Fund before these triggers adjust rate schedules. Adjusting the triggers in a period of growth and low unemployment would allow the changes to be made without impacting employers' tax rates.

Any changes to UI should seek to protect displaced workers and strengthen the UI Trust Fund while distributing the tax burden equitably and fairly. The rating system, the independent contractor test, and the UI Balancing Account are all areas that may benefit from legislative updates and the Secretary recommends that the UIAC look at these issues closely to make effective recommendations.

Appendix A
Modern History of UI Financing System Since 1981

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 recession rapidly depleted the UI Trust Fund and Wisconsin had to borrow from the federal government to pay UI benefits.



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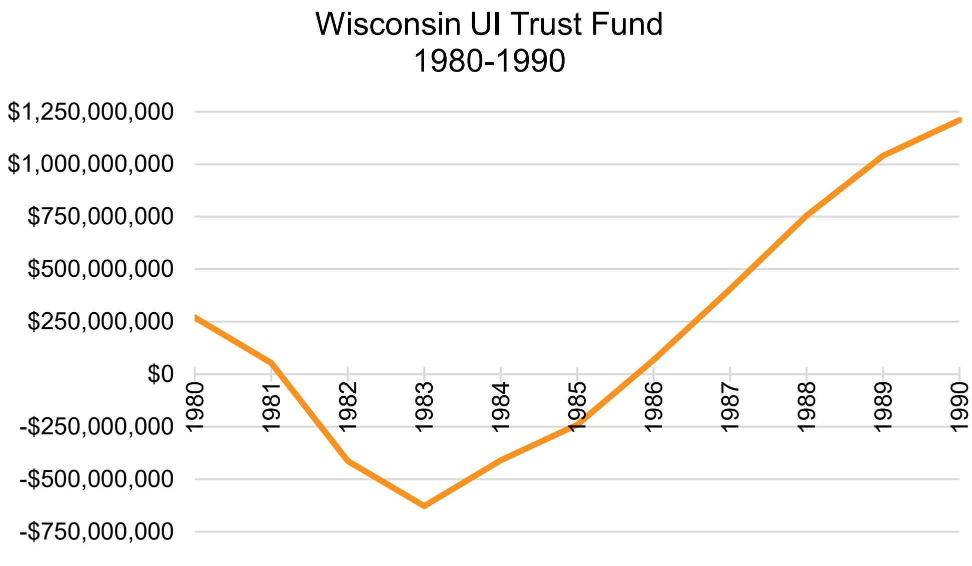
Wisconsin borrowed $988 million between 1982 and 1986. To provide context, this was about 4.1% of total covered payroll in the mid-1980s. The same 4.1% of total covered payroll of taxable employers in 2020 would be about $4.6 billion. Wisconsin's employers paid $124 million in interest due to this federal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

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 an employer's tax rate may increase, known as the rate limiter, to 2%;
- Temporarily discontinuing the 10% write-off provision, reducing tax liability for employers whose reserve fund account was very negative;
- Limiting the effect of voluntary contributions;
- Charging the state's portion of EB 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 balance by the end of the 1980s.



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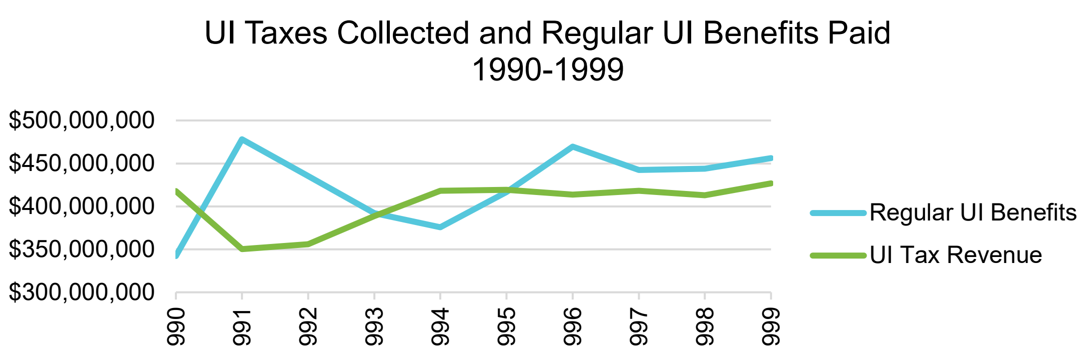
The Static UI Financing System in the 1990s

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 UI benefit payments fell as expected.

During periods of economic growth, the UI financing system is designed to build up the UI Trust Fund balance to pay UI benefits during an economic downturn and avoid federal 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. Interest rates in the mid-1990s were high, 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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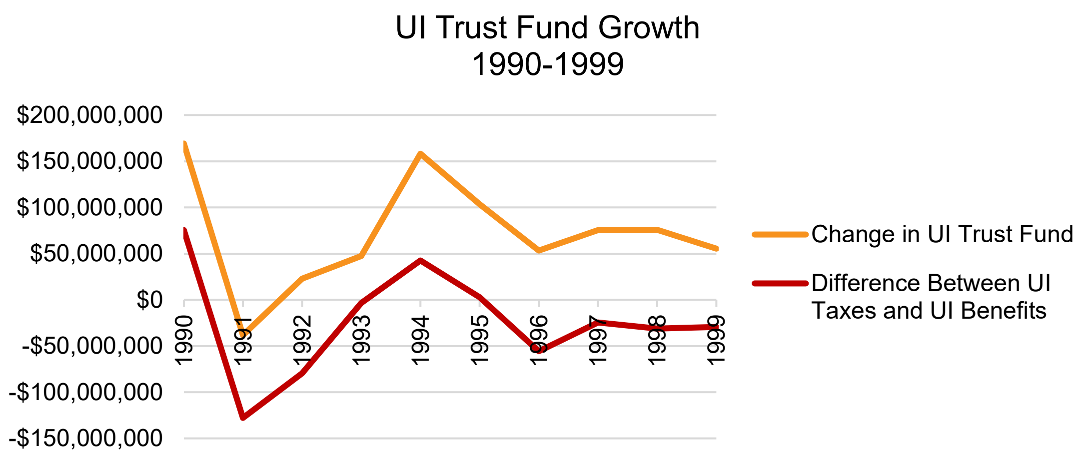

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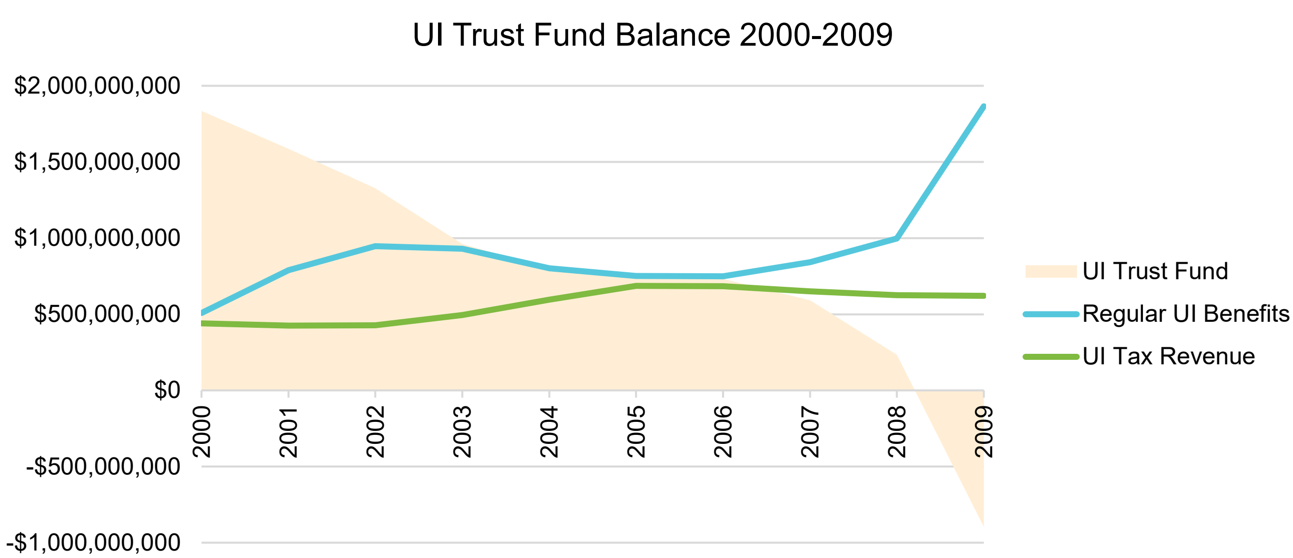
The UI Trust Fund balance at the end of 1999 was $1.7 billion.

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 UI benefit payments and taxes. The financing 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 despite tax schedules with higher contribution rates being triggered. As a result, the UI Trust Fund balance continued to decline.



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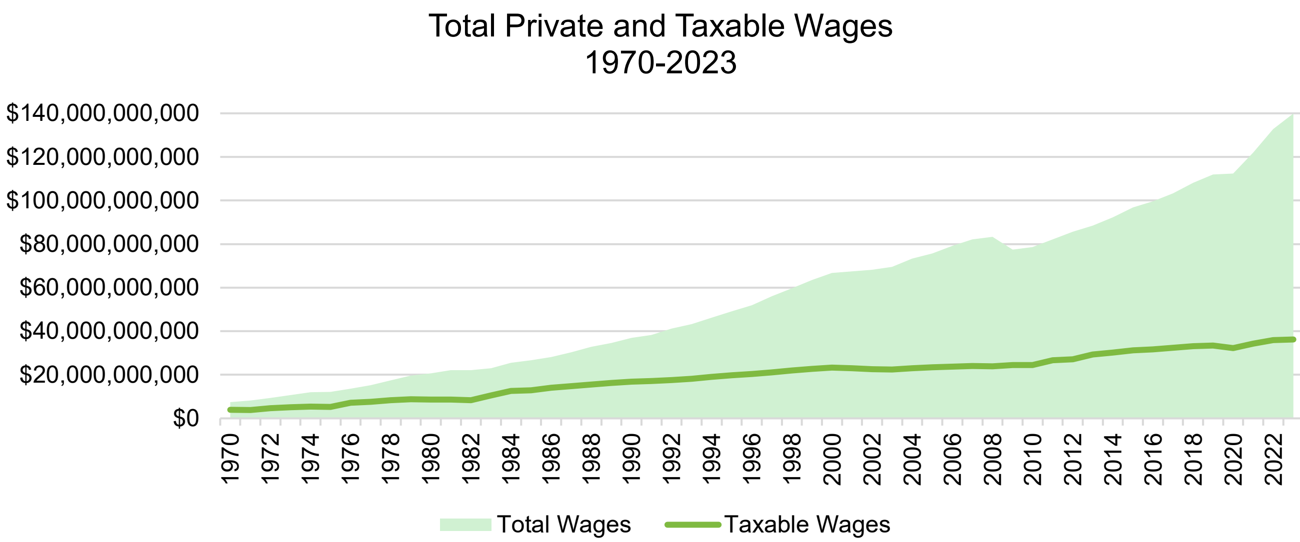
There are two main reasons why the financing system was non-responsive.

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 UI 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 financing system through higher UI benefit payments.



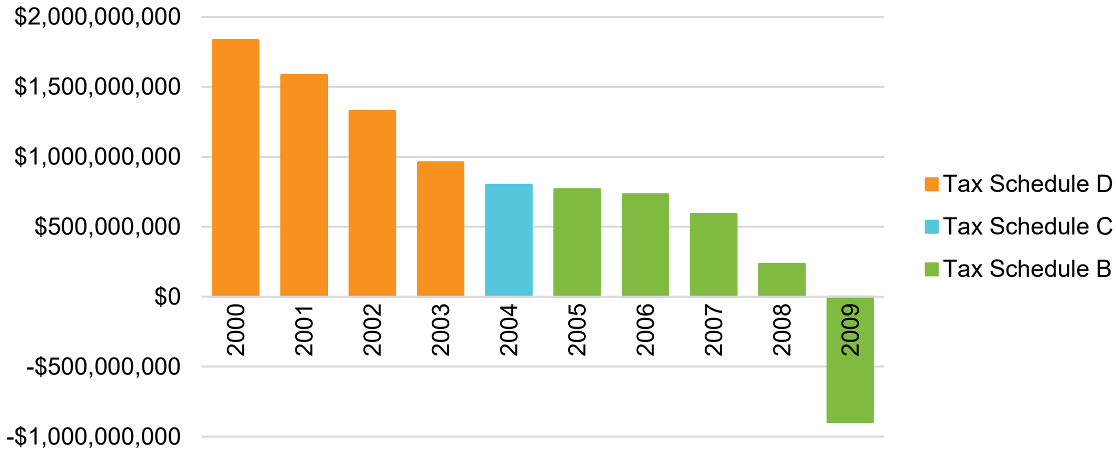
ET Financial Data Handbook 394[16], https://oui.doleta.gov/unemploy/hb394.asp

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

The UI tax system consists of four tax rate schedules. The balance of the UI Trust Fund as of June 30 determines which schedule is in effect for the next tax year, and that dollar amount triggers 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 threshold required to trigger the highest tax rate schedule (Schedule A). Without the implementation of the higher tax rates in Schedule A, the UI Trust Fund continued to shrink.

[16] 2023 figures are estimates which are subject to change.

UI Trust Fund Balance and Effective UI Tax Schedule 2000-2009



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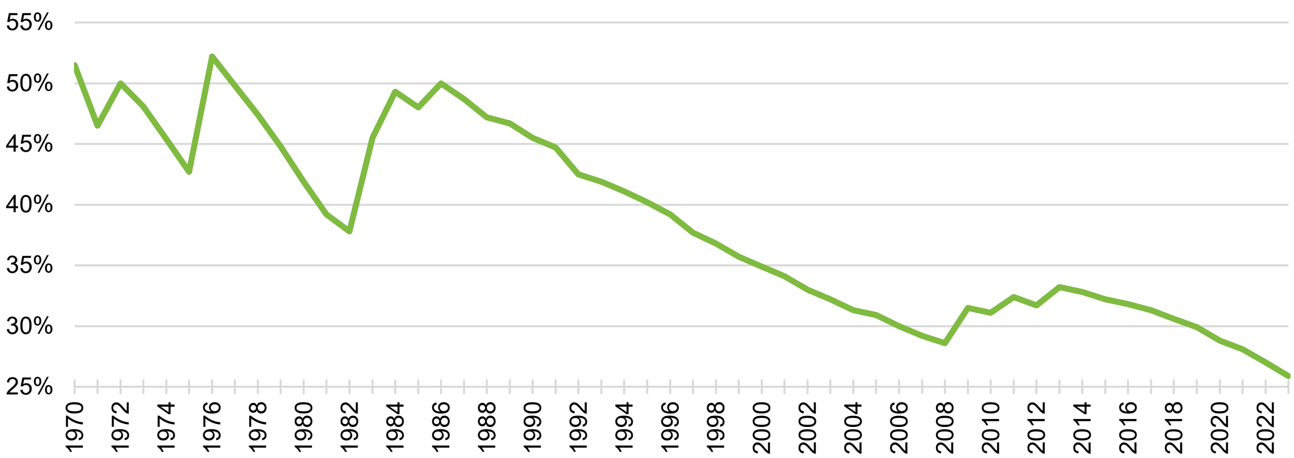
Between 2003 and the onset of the Great Recession, UI benefits paid remained above UI taxes collected. Unlike in the 1990s, interest earnings were not large enough to cover the gap and the UI Trust Fund continued to shrink. Any type of economic downturn would have inevitably caused the depletion of the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

Taxable Wages as a Percent of Total Private Wages 1970-2023

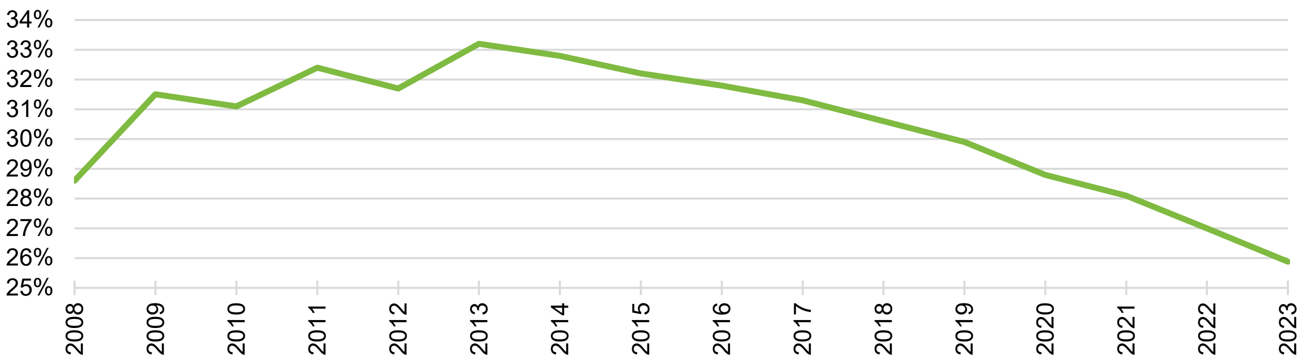


Financial Data Handbook 394[17], https://oui.doleta.gov/unemploy/hb394.asp

Legislation enacted in 2008 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 assisted in reducing a portion of the decline of the ratio of UI taxable wages to overall wages; however, by the time the wage base increased to $14,000 in 2013, the wage base had begun to lose value relative to total wages, and its value has continued to decline.

[17] 2023 figures are estimates which are subject to change.

Taxable Wages as a Percent of Total Private Wages
2008-2023



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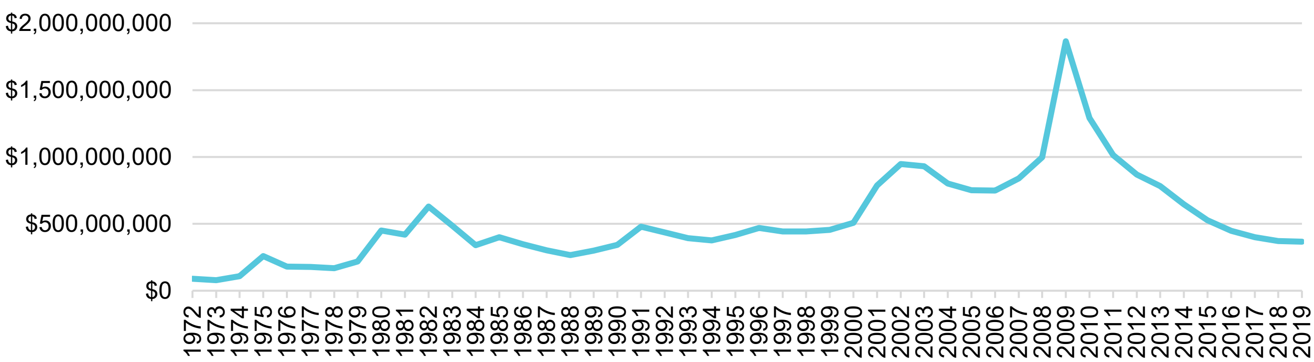
The Great Recession

Regular UI Benefits Paid
1972-2019



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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. Prior to 2020, Wisconsin paid the four largest benefit outlays in its history from 2008 to 2011, with the largest amount so far, $1.8 billion, paid in 2009.

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 to be paid if there is a fire. For Unemployment Insurance, higher wages in the economy result in higher benefits paid during a recession.

[18] 2023 figures are estimates which are subject to change.

5 Highest Benefit Years based on Benefits Paid as a Percent of Total Payroll 1972-2019

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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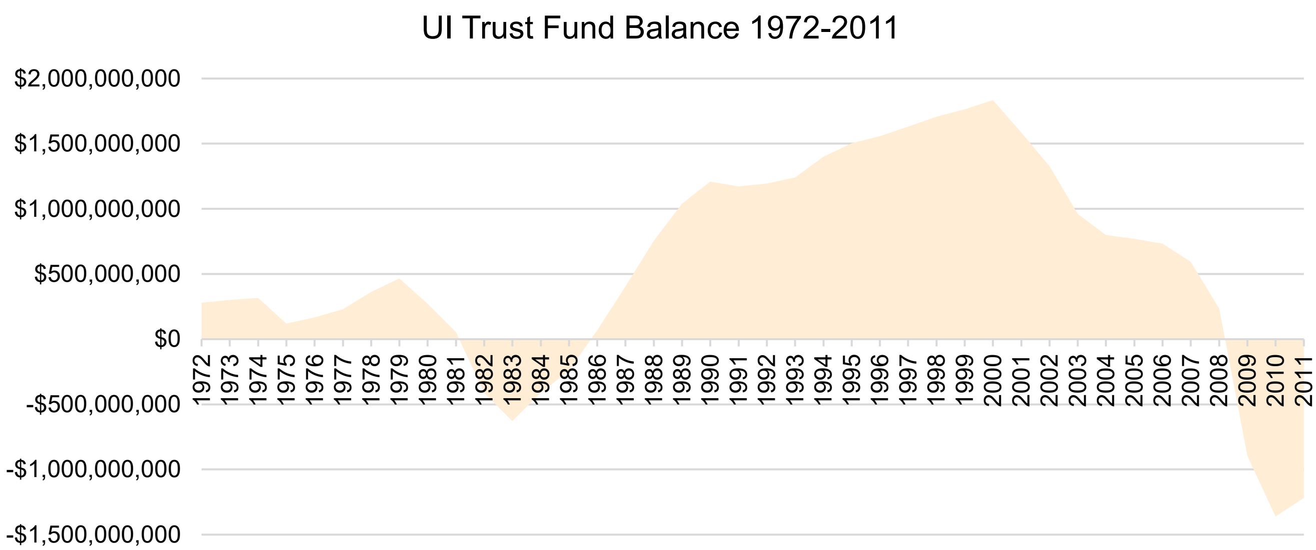
When looking at UI benefit payments as a percentage of total payroll, 2009 is the only year of the Great Recession among the highest benefit years since 1972. The level of benefits paid during the Great Recession was in line with other recessions and reflected the growth of the economy and the increase in total payroll over four decades.



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As illustrated above, the Wisconsin UI Trust Fund balance decreased throughout the 2000s; the Great Recession was the catalyst that caused the UI Trust Fund to become insolvent and necessitated Wisconsin borrowing from the federal government to pay UI benefits. These events led to policy responses, including:

- A reduction in the FUTA tax credit for employers. Revenue from the tax credit reduction was used to pay off UI Trust Fund loans.
- Trigger to the highest Wisconsin UI tax schedule, Schedule A. When the UI Trust Fund balance fell below $300 million in June 2009, Schedule A went into effect for 2010. This schedule raised approximately $90-$100 million more per year in tax revenue than Schedule B.

  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 maintain solvency and avoid borrowing 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.

Wisconsin enacted three main legislative changes aimed to address the structural deficit in the UI Trust Fund during and following the Great Recession by reducing UI 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 benefit payments.

Of those legislative changes, the waiting week caused the largest reduction in UI benefit payments, approximately 5% per year. The waiting week causes the first week of benefits to be withheld from eligible claimants. While the waiting week does not reduce the total amount of UI benefit payments a claimant is eligible to receive, it does reduce benefits paid for those claimants who do not exhaust their claim. The fewer weeks an individual claims, the larger the percentage reduction in UI benefit payments the waiting week represents. For example, a claimant claiming benefits for 6 weeks will see a 16.67% reduction in benefits under a waiting week versus no waiting week in place.

During the Great Recession, UI benefit payments were reduced by approximately $50 million per year. Because of the multiplier effect[19] 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 UI benefit payments.

Recovery and Paying Off the UI Trust Fund Loan

The nation experienced a slow recovery following the end of the Great Recession where many people received UI benefits for long periods of time.[20] During this time, a low level of total UI benefits was paid as a result of both an improving economy and diminished base period wages for many people who no longer qualified for UI benefits due to long-term unemployment.

Despite the extended period of higher UI benefit payments, at the end of 2014, the UI Trust Fund balance was $215 million and the UI Trust Fund loan was satisfied.[21] There are three significant factors that contributed to obtaining a positive UI Trust Fund balance and repaying the federal loan:

1. The low level of UI benefits paid due to a reduction in filing activity;
2. The increase in UI tax revenue due to the highest tax rate schedule (Schedule A) in effect and a decline in employers' experience rating due to high UI benefit payments; and
3. The FUTA tax credit reduction.

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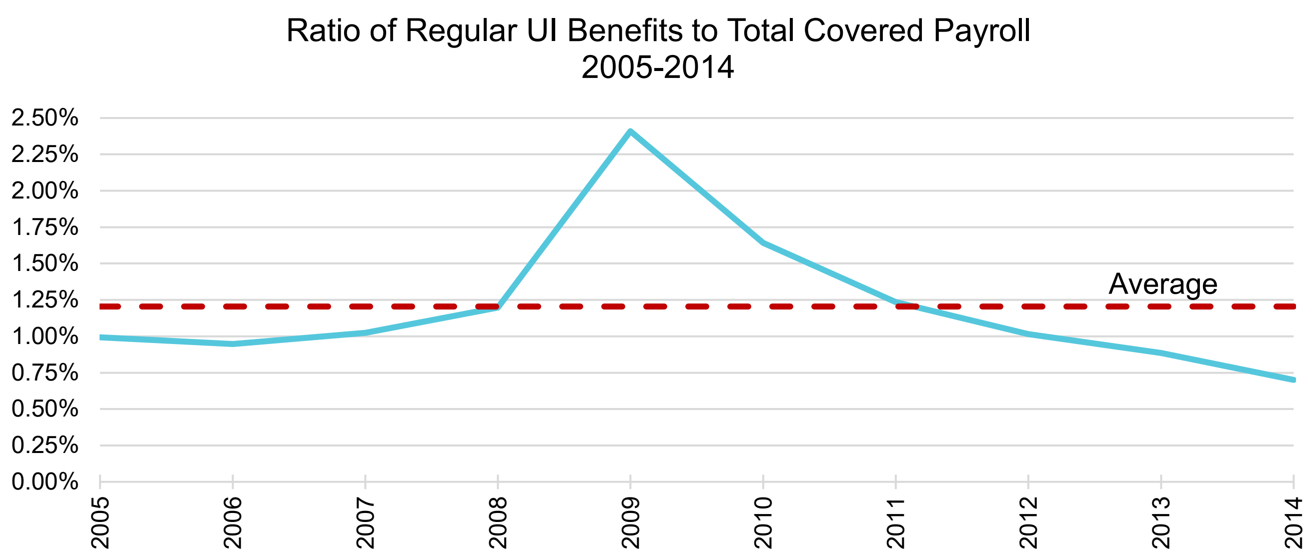
[19] Estimates of the multiplier for UI benefits during the Great Recession range from 1.6 (Zandi, Mark. *Testimony of Mark Zandi Chief Economist, Moody's Analytics before the House Budget Committee "Perspectives on the Economy"* 1 July 2010.) to 2.0 (Vroman, Wayne. "The Role of Unemployment Insurance as an Automatic Stabilizer during a Recession" *IMPAQ International*, 2010).

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

[21] The Legislature allocated GPR funds to pay a portion of the interest on the UI Trust Fund loan which, in turn, avoided a further SAFI assessment on employers.

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 by 2014. The low level of UI benefit payments reduced expenditures from the UI Trust Fund.



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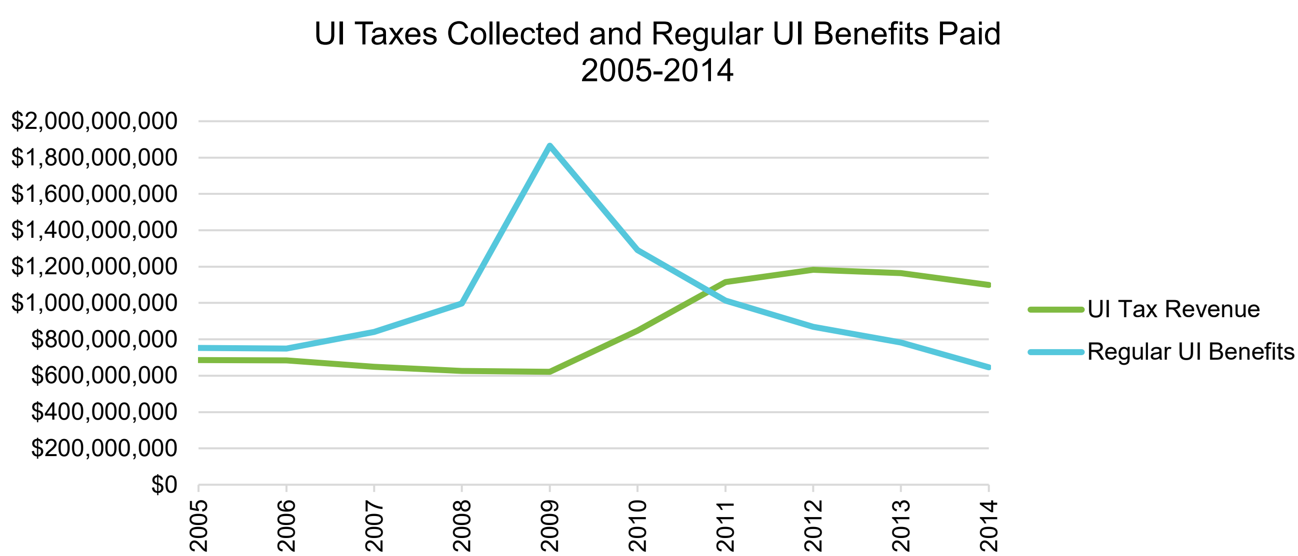
Additionally, the legislature implemented various benefit changes in 2013 Wisconsin Act 20. Some of the various changes included eliminating eight of 17 previous quit exceptions, changing substantial fault guidelines so claimants may be ineligible for benefits if discharged due to substantial fault, increasing required work search actions from two to four, and increasing the maximum weekly benefit amount from $363 to $370.

UI Tax Revenue

While UI benefit payments declined rapidly, UI tax revenue also declined but at a slower rate.



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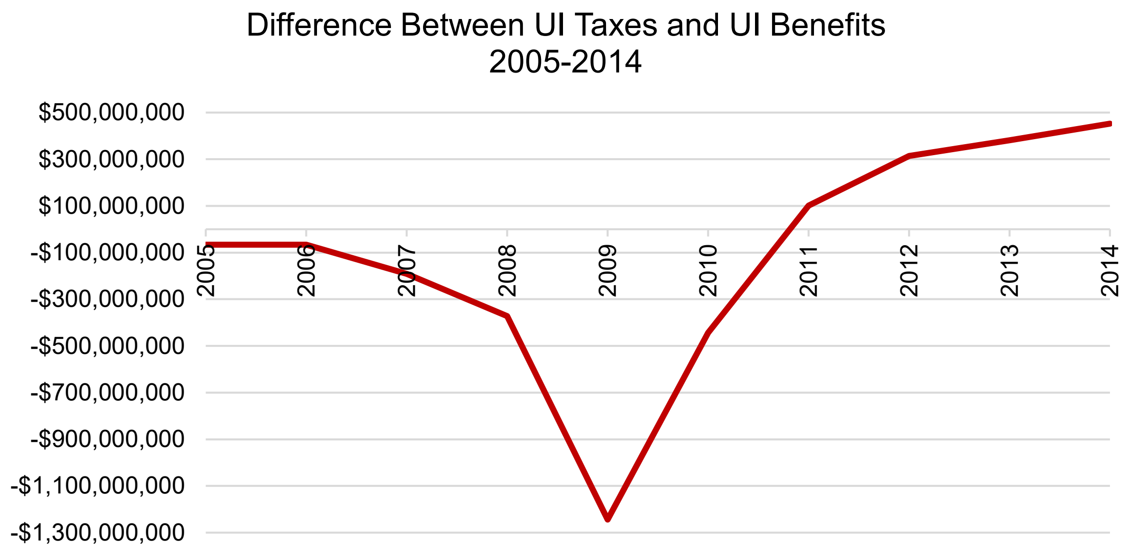

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FUTA Tax Credit Reduction

As described in Section 1, the FUTA credit is reduced for employers in states that borrow from the U.S. Treasury, at a rate based on the number of years a state has borrowed. After the Great Recession, employers in Wisconsin received a reduced FUTA credit, leading to higher federal unemployment taxes.[22]

Cost of Wisconsin UI Borrowing during and after the Great Recession

Costs associated with borrowing federal funds to pay UI benefits are borne by covered employers and other Wisconsin taxpayers. The reduction in employers' FUTA credit increased employers' federal UI taxes by $291 million from 2012 to 2014.

Interest payments on federal loans increase the cost of borrowing. In total, the 2009 UI Trust Fund borrowing accumulated $103 million in interest costs. Of that total, $78 million was paid by employers through SAFI. The remaining $25 million was paid with GPR funds. Interest rates during the Great Recession were low, but historically that has not been the case for every recession. For example, interest rates during the 1982 recession were very high. In the future, the interest costs could be much higher if interest rates are higher.

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

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

Wisconsin UI Tax Data

[22] The funds the federal government collected were used to reduce the state's debt. The additional federal taxes paid by Wisconsin employers added approximately $291 million to the UI Trust Fund. Without the revenue from reducing the FUTA credit reduction, the UI Trust Fund would have remained negative until first quarter receipts at the end of April 2015.

The COVID-19 Pandemic

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 UI 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 UI Trust Fund was approaching an AHCM of 1.0, the US DOL-recommended minimum 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 COVID-19 pandemic, Wisconsin was able to pay UI benefits without borrowing.

Since March 15, 2020, Wisconsin 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 approximately $4.67 billion to approximately 590,000 claimants due to the pandemic. Of those UI benefit payments, $3.18 billion were for PUA, PEUC, Lost Wages Assistance (LWA), and FPUC, which were federally funded. In 2021, $2.51 billion was paid in total (state and federal) UI benefits. From the beginning of the COVID-19 pandemic through the end of 2021, $7.18 billion in UI benefits had been paid to approximately 677,000 claimants. Of those payments, 30% were from the Wisconsin UI program and 70% were from federal programs.

During this time, many businesses were closed due to the public health emergency, reducing payrolls and, in turn, UI tax revenue. Overall, the UI Trust Fund ended 2020 with a balance of $1.049 billion[23] and 2021 with a balance of $1.016 billion.[24]

Even though a large percentage of benefits paid were federally funded, the UI Trust Fund declined during the COVID-19 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 $1.016 billion, the UI Trust Fund had an AHCM value of approximately 0.5 at the end of 2021.

In 2020 and 2021, 23 states borrowed federal funds to pay unemployment benefits, and 10 states were still repaying their federal loans as of the end of February 2022.

Under 2019 Wisconsin Act 185, DWD was required to charge unemployment benefits for initial claims related to the public health emergency declared by Executive Order 72 to the UI Balancing Account of the UI Trust Fund for taxable employers. For reimbursable employers, DWD charged non-federally funded benefits to the interest and penalty (I&P) appropriation. This treatment of claims charging applied to weeks of benefits beginning 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.

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[23] 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.

[24] 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.

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 was charged $69.9 million to relieve reimbursable employers of their benefit charges. This resulted in the I&P appropriation having a negative cash balance, as of March 2024, of about negative $45.6 million. DWD collects about $3 million annually in interest and penalties for this appropriation, so DWD expects the I&P appropriation to have a positive balance in 16 years.

Appendix B
Maximum Weekly Benefit Rate by State

US DOL Comparison of State Unemployment Laws (2023)

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	NV	$562	$562
AK	$370	$442	NH	$427	$427
AZ	$320	$320	NJ	$830	$830
AR	$451	$451	NM	$542	$592
CA	$450	$450	NY	$504	$504
CO	$742	$742	NC	$350	$350
CT	$703	$778	ND	$673	$673
DE	$400	$400	OH	$561	$757
DC	$444	$444	OK	$493	$493
FL	$275	$275	OR	$783	$783
GA	$365	$365	PA	$605	$613
HI	$763	$763	PR	$240	$240
ID	$532	$532	RI	$680	$850
IL	$578	$787	SC	$326	$326
IN	$390	$390	SD	$487	$487
IA	$551	$676	TN	$275	$275
KS	$560	$560	TX	$563	$563
KY	$626	$626	UT	$712	$712
LA	$275	$284	VT	$668	$668
ME	$538	$941	VA	$378	$378
MD	$430	$430	VI	$629	$629
MA	$1,015	$1,522	WA	$999	$999
MI	$362	$362	WV	$630	$630
MN	$857	$857	WI	$370	$370
MS	$235	$235	WY	$560	$560
MO	$320	$320	**National Average**	**$525**	**$560**
MT	$657	$657			
NE	$514	$514			

Wisconsin does not have a dependents' allowance, but 11 states do. A dependents' allowance increases the UI benefits payable to a claimant with a dependent; the amount of additional UI benefits and definitions of who is covered as a "dependent" vary based on state law.

Appendix C
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 negative 10% and charged benefits, that would decrease the Reserve Fund Percentage below that level, are written-off. When write-offs occur, the employer is relieved of these benefit charges and charges are made against the UI Balancing Account.

Quits

When an employee quits work but is still 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 fault of the employer. A quit can occur if the claimant falls under one of the quit exceptions enumerated in statute[25] or, more likely, if the claimant quits a job to take a new one and then is subsequently laid off.

Misconduct

Prorated benefit charges paid to claimants who were terminated for misconduct are charged to the UI Balancing Account. If an employee who is terminated for misconduct finds work with another employer and is then laid off, he or she may requalify for benefits. If the employee qualifies for benefits, their work history from both employers is considered and their wages from both employers are used to calculate the weekly benefit amount. However, wages from the employer who terminated them for misconduct are not used in calculating the maximum benefit amount. Any portion of the prorated benefit amount assigned to the employer who terminated them for misconduct is instead 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 prorated portion of benefits assigned to the terminated with-cause employer is instead charged to the UI Balancing Account.

Continued Employment

Continued employment cases typically occur 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 claimant's entire earnings but the current employer, who did not reduce the claimant's wages, will not be charged for their benefit share; instead, such amount is charged to the UI Balancing Account.

[25] See Wis. Stat. §108.04(7).

Second Benefit Year

Second benefit year cases occur 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 certain DWD-approved training programs are charged to the UI Balancing Account. The Training Benefits category includes Approved Training programs and also included 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 there are not expected to be future charges for that program, though other Approved Training programs continue to be charged to the UI Balancing Account.

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 could also be charged to the UI Balancing Account in the future.

COVID-19: Wisconsin Act 185 Pandemic Benefit Non-Charging

Under 2019 Wisconsin Act 185 and 2021 Wisconsin Act 4, DWD was required to charge UI 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.

Appendix D
Total Covered Employment, Average Weekly Wage, Average Weekly Benefit Amounts and Maximum Weekly Benefit Amount

Wisconsin Unemployment Statistics 1993-2023
ET Financial Data Handbook 394

Year	Covered Employment	Average Weekly Wage	Average Weekly Benefit	Maximum Weekly Benefit Amount
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	2,666,922	$1,065	$305	$370
2022	2,845,446	$1,136	$330	$370
2023[26]	2,869,500	$1,164	$340	$370

[26] 2023 covered employment, average weekly wage, and average weekly benefit are estimates, which are subject to change.

Appendix E
Wisconsin Unemployment Reserve Fund[27]

Wisconsin Unemployment Statistics 1993-2023
Wisconsin Unemployment Insurance Division Data
(Amounts in Millions of $)

	Revenue						Expense			Balance
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**
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		589	1,028
2022	450	80				530	273		273	1,285
2023	567	95				662	320		320	1,627

[27] 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 F
Usage of Wisconsin Unemployment Insurance

Wisconsin Unemployment Statistics 1993-2023
ET Financial Data Handbook 394

Year	Number of First Payments	Weeks Compensated	Duration (weeks)	Insured Unemployment Rate (percentage)	Maximum Weekly Benefit Amount
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	83,920	2,421,448	28.9	2.2	$370
2022	83,206	973,079	11.7	0.9	$370
2023[28]	87,548	1,033,993	11.8	0.9	$370

[28] 2023 number of first payments, weeks compensated, duration, and insured unemployment rate are estimates, which are subject to change.

Appendix G
Taxable UI Benefits and UI Taxes as a Percentage of Total Wages in Taxable Covered Employment

Wisconsin Unemployment Statistics 1993-2023
ET Financial Data Handbook 394
(Amounts in Millions of $)

Year	Total Wages in Taxable Covered Employment	Taxable Benefits as a Percent of Total Wages	Taxes as a Percent of Total Wages
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	$122,079	0.43%	0.34%
2022	$132,792	0.21%	0.27%
2023[29]	$139,923	0.23%	0.40%

[29] Estimates, which are subject to change.

Appendix H
UI Benefits Directly Charged to the UI Balancing Account

Wisconsin Unemployment Statistics 1993-2023
Wisconsin Unemployment Insurance Division Data
(Amounts in Millions of $)

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
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

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
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
2022	27.3	1.1	1.3	0.0	1.3	1.4	2.8		2.8	24.6	62.6	271.3
2023	40.2	2.3	0.3	0.0	1.7	0.3	3.4		4.1	1.1	53.4	320.0

Appendix I
Additional Charges to the UI Balancing Account

Wisconsin Unemployment Statistics 2004[30]-2023
Wisconsin Unemployment Insurance Division Data
(Amounts in Millions of $)

Year	Balancing Account Direct Charges	-10% Write-Off "Indirect" Charges[31]	Total Balancing Account Charges	% of Write-Off over Total Charges
2004	119.4	197.9	317.3	62.4%
2005	118.2	151.4	269.6	56.2%
2006	121.6	150.7	272.3	55.3%
2007	133.7	167.9	301.6	55.7%
2008	148.4	194.7	343.1	56.7%
2009	236.1	407.0	643.1	63.3%
2010	157.6	497.8	655.4	76.0%
2011	146.4	293.7	440.1	66.7%
2012	139.7	199.1	338.8	58.8%
2013	128.2	171.9	300.1	57.3%
2014	103.2	113.9	217.1	52.5%
2015	90.9	83.1	174.0	47.8%
2016	73.4	63.2	136.6	46.3%
2017	64.8	54.2	119.0	45.5%
2018	60.1	46.9	107.0	43.8%
2019	62.0	37.5	99.5	37.7%
2020	243.7	21.4	265.1	8.1%
2021	1,147.4	4.7	1,152.1	0.4%
2022	62.6	45.6	108.2	42.1%
2023	53.4	33.6	87.0	38.6%

[30] The Negative 10% write-off dates to 1963, however data from 1963-2003 is not available. See Wis. Stat. §108.16(7)(c) for details on Negative 10% Write-off RFB.
[31] The Negative 10% Write-off RFB transactions reduce the Surplus Funds balance and increase the Taxable Employer's Fund balance.