

Fiscal Estimate Narratives

DWD 4/14/2021

LRB Number	21-2881/1	Introduction Number	SB-276	Estimate Type	Original
Description deposits into the unemployment reserve fund					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the governor to allocate, as permitted under federal law, moneys accepted from the federal government under s. 16.54, including moneys accepted pursuant to section 602 of the federal Social Security Act as amended by the federal American Rescue Plan Act of 2021 (ARPA), for one or more deposits into the UI Trust Fund as are needed to ensure that Schedule D under s. 108.18 (4) remains in effect through the end of calendar year 2023.

For the purposes of this fiscal estimate, DWD assumes that the bill's statutory reference of s. 108.18 (4) is corrected to s. 108.18 (3m). Under s. 108.18 (3m), Schedule D is in effect for any calendar year whenever, as of the preceding June 30, the state's unemployment reserve fund has a cash balance of at least \$1,200,000,000.

Because the Department has not yet received first quarter 2021 revenues and because of current volatility in economic conditions and uncertainty in predicting federal program and benefit reimbursement changes, DWD cannot, at this time, provide an estimate, with any degree of certainty, of the amount of funds necessary to reach the \$1.2 billion balance needed to maintain Schedule D for calendar year 2022 or 2023.

Under this bill, the Department of Administration (DOA) would need to identify, from all federal funds accepted by the state under s. 16.54, amounts that could be reallocated or otherwise used to support the Trust Fund balance needed for keeping Schedule D in effect. The extent to which this bill has a fiscal impact to state agencies that receive federal funds, which includes DWD, is dependent on the amount of funding needed to maintain Schedule D and the number and amounts of federal awards that permit UI benefit payment offsets or UI Trust Fund deposits.

The number and amounts of federal awards received by the state that, under federal law, permit reallocation to, or support of, the UI Trust Fund is not yet known. The Department is aware that funds received under the CARES Act's Coronavirus Relief Fund (CRF) may be used to support UI Trust Fund benefit costs, but DOA has fully obligated or spent Wisconsin's \$2.0 billion CRF allocation, as documented in the Legislative Fiscal Bureau's December 17, 2020 memo.

An initial review of other federal funding sources received by DWD from DOA, under s. 16.54, indicates that a reallocation to the UI Trust Fund would not be allowable, but a more thorough review is needed to determine if other federal funding could be reallocated to support the UI Trust Fund under federal law.

The bill explicitly notes, as a potential funding source, federal funds received under ARPA. Wisconsin will receive an estimated \$3.2 billion in funding under ARPA's State Fiscal Recovery Fund (SFRF). Federal guidance is needed to clarify if an allocation of SFRF to the UI Trust would be permitted as required under this bill. An initial review of the ARPA language governing SFRF indicates that these funds could not be used to support the UI Trust Fund, if required under this bill.

If ARPA funding is not an allowable funding source, DOA would be required to identify and deposit an amount yet to be determined before June 30, 2021 and potentially again before June 30, 2022, from other allowable federal funding sources to maintain a \$1.2 billion balance in the UI Trust Fund and keep Schedule D rates in effect through 2023. This could result in reductions to state agencies' federal funds, including federal funding received by DWD. However, the amount of a potential federal revenue reduction is indeterminate.

The fiscal effect to local governments is also indeterminate. It is unclear if federal revenues received by local governments through state agencies could be reallocated to the UI Trust Fund under this bill.

Long-Range Fiscal Implications