



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 7, 2021

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 276: Deposits into the Unemployment Insurance Trust Fund

Senate Bill 276 (SB 276) would use funds received by Wisconsin under the American Rescue Plan Act of 2021 (ARPA) to provide deposits in the state's unemployment insurance (UI) trust fund. SB 276 was introduced and referred to the Joint Committee on Finance on April 5, 2021. (The companion bill to SB 276 is Assembly Bill 237.)

BACKGROUND

Under current unemployment insurance law, there are four different sets of tax rate schedules. The specific rate schedule that applies in a given calendar year for taxable employers depends upon the balance in the state's UI trust fund on the prior June 30. Schedule A is effective if the balance in the state's UI trust fund is less than \$300 million. Schedule B is in effect if the balance in the fund is at least \$300 million but less than \$900 million. Schedule C applies if the balance in the fund is at least \$900 million, but less than \$1.2 billion, and Schedule D applies if the balance is at least \$1.2 billion. These schedules provide for lower employer contributions for years in which the fund's balance is relatively high. Based on the balance in the state's unemployment trust fund as of June 30, 2020, Schedule D applies for unemployment insurance taxes due for calendar year 2021.

SUMMARY OF BILL

The bill would, to the extent permitted under federal law, require the Governor to allocate federal monies the Governor accepts from the State Fiscal Recovery Fund (SFRF), under ARPA, for one or more deposits into the state's UI trust fund as needed to ensure that Schedule D remains in effect through the end of calendar year 2023. The bill would define "fund" to mean the unemployment reserve fund, otherwise referred to as the UI trust fund in this memorandum.

FEDERAL STATE FISCAL RECOVERY FUND (SFRF)

SFRF monies may not be used to either directly or indirectly offset a reduction in net tax

revenues resulting from a change in law, regulation, or administrative interpretation during the covered period, and in a manner that reduces any tax by providing for a reduction in a rate, a rebate, a deduction, a credit, or a delay in the imposition of any tax or tax increase. The covered period begins on March 3, 2021, and ends on the last day of the fiscal year in which all funds have been either expended, or returned to or recovered by, the U.S. Department of Treasury. ARPA requires the state or territory to repay to the Treasury Secretary an amount equal to the amount of funds used to directly or indirectly offset a reduction in net tax revenue. Absent guidance from the U.S. Treasury Department, it is not currently known whether or to what extent SFRF deposits into the UI trust fund, as authorized under the bill, would be considered a measure to delay the imposition of a tax and be subject to this restriction.

UI TRUST FUND BALANCE

The balance of the UI trust fund, as of April 2, 2021, is \$938.3 million. It is estimated that on June 30, 2021, the balance of the UI trust fund will be \$890 million, thereby requiring a deposit into the trust fund of \$310 million to satisfy the \$1.2 billion statutory balance requirement to maintain Schedule D for calendar year 2022, as required under the bill. Due to the extended time horizon and the number of assumptions required to generate an estimated June 30, 2022, UI trust fund balance, the amount of SFRF monies that would be required to maintain Schedule D for calendar year 2023 cannot be estimated with any degree of certainty at this time.

Prepared by: Ryan Horton