Unemployment Compensation System #69

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Unemployment Compensation System

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TABLE OF CONTENTS

UNEMPLOYMENT COMPENSATION SYSTEM

Introduction

In 1932, Wisconsin became the first state in the nation to implement an unemployment compensation program. As originally designed, this program was intended to further a number of different social goals. Most fundamentally, the program was designed to provide a temporary source of income, financed by employers, for workers who were laid off from their jobs. In addition, the program was designed to further broader societal goals, which included the establishment of a policy designed to encourage stable employment practices and a mechanism to provide an economic stimulus during economic downturns.

Although these fundamental principles still underlie the current unemployment compensation system, the scope of the system has increased considerably since its inception. The current system is characterized by interrelated benefit and tax structures, which are affected by provisions of both state and federal law.

The purpose of this paper is to provide a general review of the state's unemployment compensation system. The first section in this paper provides a general overview of the Wisconsin unemployment compensation system. The following sections provide descriptions of various components of the unemployment compensation system. The final section describes the current financial status of the unemployment compensation reserve fund.

Overview of the Wisconsin Unemployment Compensation System

Wisconsin's unemployment compensation system is designed to provide a source of income to workers during periods of temporary unemployment. In order to achieve this objective, Wisconsin's unemployment compensation law (Chapter 108, Wisconsin Statutes) provides three types of benefits for unemployed workers. These three types of benefits are not available at the same time, but are designed in combination to lengthen the amount of time during which an unemployed worker can receive benefits. All three types are available to qualified unemployed workers who apply through the local offices of the Unemployment Compensation Division of the Department of Industry, Labor and Human Relations.

Regular benefits are the first type of benefits that an unemployed worker can receive. In order to receive these benefits, a claimant must have been employed in covered employment and must meet specific minimum qualifying and eligibility criteria. If a claimant is eligible to receive regular benefits, the total amount of benefits available to the claimant depends on the wages earned by the claimant in covered employment in the base period. The maximum benefits available are the lesser of 26 times the weekly benefit rate or 40% of total base period wages. (The method for determining regular benefit payments is described in a subsequent section.)

The other two types of benefits provided under Wisconsin's unemployment compensation law are designed to lengthen the duration of benefits during periods of high unemployment. Unlike regular benefits, which depend only on the eligibility of the claimant, these two types of benefits also depend on the general unemployment situation. In order for these benefits to be paid, Wisconsin's insured unemployment rate must exceed specified trigger levels. As the insured unemployment rate rises, the first trigger point to be reached is that for Wisconsin supplemental benefits. If insured unemployment continues to rise, the trigger point for extended benefits may be reached. Once the trigger point for extended benefits is reached, Wisconsin supplemental benefits are no longer available.

When the Wisconsin supplemental benefit program is triggered, it acts to increase the maximum amount of state benefits from 26 to 34 times the weekly benefit rate. However, total regular and supplemental benefits cannot exceed 40% of base period wages. The number of weeks for which the regular and supplemental weekly benefit payment would be received is determined by dividing the total benefit entitlement by the weekly benefit rate. Consequently, the increase in the total amount of benefits from 26 to 34 times the weekly benefit rate also has the effect of increasing the maximum period during which benefits can be received from 26 to 34 weeks. Supplemental benefits are only available to claimants who have exhausted all of their regular benefits.

Once extended benefits are triggered, eligible claimants can receive additional benefit payments equal to: (a) one-half of their regular benefit payments; or (b) thirteen times their weekly benefit rate; or (c) 39 times their weekly benefit rate reduced by the amount of regular benefit payments received. As a result, claimants can receive up to 26 weeks of regular benefit payments and an additional thirteen weeks of extended benefit payments. However, extended benefit payments must be reduced by the amount of supplemental benefits received. Also, total benefits received cannot exceed 40% of base period wages. To be eligible for extended benefits claimants must have base period wages equal to 40 times their weekly benefit rate, exhaust all regular benefits and meet certain work search requirements.

The net effect of these three benefit programs depends on the insured unemployment rate in Wisconsin. At low rates, an eligible claimant can receive regular unemployment compensation benefit payments for up to 26 weeks. If the insured unemployment rate rises enough to trigger Wisconsin supplemental benefits, an eligible claimant can receive benefit payments for a maximum of 34 weeks (26 weeks of regular benefits plus eight weeks of state supplemental compensation payments). Finally, if the insured unemployment rate rises enough to trigger extended benefits, an eligible claimant can receive benefits for a maximum of 39 weeks (26 weeks of regular benefits plus 13 weeks of extended benefits).

Along with provisions for establishing benefit programs and determining the eligibility of individual claimants to receive benefits, Wisconsin and federal unemployment compensation laws establish several methods to finance the various benefit programs. The type of financing used varies both by type of employer and type of benefit. However, the payment of benefits to claimants and the amount of these benefits are independent of the type of financing used.

Regular and Wisconsin supplemental benefits are financed in the same manner. Benefits paid to claimants who have been employed by most governmental units and most of the nonprofit organizations in the state are financed through direct reimbursement from the employer. Benefits paid to claimants who have been employed by private, for-profit firms or the remaining governmental units and nonprofit organizations are financed through contributions these employers are required to make to the state's unemployment reserve fund. The level of contributions an individual employer is required to make depends on the size of the employer's taxable payroll and the employer's past unemployment experience. Employers with considerable unemployment experience are required to pay higher contributions than those with lesser levels of unemployment experience and the same taxable payroll.

In general, extended benefits paid to claimants formerly employed by governmental units are financed by direct reimbursement. Extended benefits paid to other claimants are financed on an almost equal basis through state and federal financing methods. The state's share of the cost of extended benefits is financed by charging each employer's account in the unemployment reserve fund for the proportion of total extended benefit payments equal to the employer's proportional share of the total wages of the claimant in the base period upon which the extended benefit payments are based. (Extended benefit payments based on wages from the employer from which the claimant has terminated employment under certain conditions or from which the claimant has been discharged for misconduct are financed from the reserve fund's balancing account.)

The Unemployment Compensation Division within the Department of Industry, Labor and Human Relations (DILHR) administers Wisconsin's unemployment compensation law. A review of certain administrative decisions made by the Division can be requested of the Labor and Industry Review Commission, which is attached to DILHR for limited administrative purposes.

In addition to these organizations, there is an Unemployment Compensation Advisory Council to advise the Department on matters related to unemployment compensation. This council is composed of an equal number of employe and employer representatives and is chaired by an employe of DILHR.

Financing for the administration of the unemployment compensation system is provided by the federal government through revenues from the federal unemployment tax. In order for DILHR to receive this funding, the state's unemployment compensation law must be approved by the Secretary of the federal Department of Labor. This approval is given on an annual basis and is contingent upon Wisconsin's unemployment compensation law meeting various criteria specified in federal law.

■ Federal Role in the Unemployment Compensation System

Underlying the unemployment compensation systems developed by each of the states is the federal unemployment compensation law. This law, primarily embodied in the Federal Unemployment Tax Act and portions of the Social Security Act, was originally adopted to encourage the states to establish their own unemployment compensation systems and to ensure that these systems met certain minimum standards. Today, since all of the states have unemployment compensation systems, federal law serves primarily to maintain certain minimum standards and to provide financial assistance to the individual systems.

A major component of the federal unemployment compensation law is the federal unemployment tax. The tax is paid by most private, for-profit employers and assessed on the first $7,000 per year paid to each employe for work which is covered by the federal unemployment compensation law. Currently, the Federal Unemployment Tax Act (FUTA) tax rate is 6.2%. However, the federal law provides for offset credits of up to 5.4% for state unemployment compensation taxes paid. These credits are available to employers where the state unemployment compensation law conforms to federal law and where the state tax rates are experience rated.

For the 1993 federal fiscal year, Wisconsin employers paid approximately $104.3 million in federal unemployment taxes. If the Wisconsin unemployment compensation law had not met the standards for federal approval, Wisconsin employers would have had to pay additional taxes due to the reduction in the federal tax credit. The value of the tax credit to Wisconsin's employers serves as a strong incentive to keep the state's unemployment compensation law in compliance with the federal standards.

The revenues the federal government receives from the federal unemployment tax are used for three principal purposes. First, they are used to finance the administration of the unemployment compensation system at both the federal and state levels. During the 1993 federal fiscal year, Wisconsin received a total of $46.4 million in federal unemployment administration grants. In order to receive these grants, the state's unemployment compensation law must be approved by the Secretary of the U.S. Department of Labor. Second, federal unemployment tax revenues are used to finance the federal share of extended benefit payments. Finally, these revenues are used to make loans to the unemployment reserve funds of states which need these advances to continue to meet their benefit obligations.

Federal law requires state unemployment compensation systems to cover nonprofit organizations and government entities. In addition, state unemployment compensation tax collections are deposited in the federal unemployment trust fund in the U.S. Treasury and credited to individual state trust fund accounts. The states draw on these accounts to make benefit payments.

Wisconsin Unemployment Compensation System

The following sections provide descriptions of the components of the state's unemployment compensation system.

Covered Employers and Employment

Wisconsin's unemployment compensation law divides employers into three main categories, each of which is treated differently in determining whether or not they are subject to the provisions of this law. All governmental units are covered employers regardless of the number of people they employ or the size of their payroll. Nonprofit organizations which are exempt from the federal income tax are covered employers if they employ at least four individuals for some portion of a day during at least 20 different weeks during the current or preceding year. In general, private, for-profit businesses must make unemployment contribution payments if they pay wages of at least $1,500 for employment during a calendar quarter or if they employ at least one individual for some portion of a day during at least 20 different weeks during the current or preceding year.

In addition to these general provisions, certain types of businesses are governed by specific coverage requirements:

a. An agricultural concern is a covered employer if it pays wages of at least $20,000 for agricultural labor during a calendar quarter or if it employs at least 10 individuals in agricultural labor for some portion of a day at least 20 different weeks during the current or preceding year.

b. A concern or individual employing domestic workers is a covered employer if wages of at least $1,000 are paid for domestic labor during a calendar quarter during the current or preceding year.

c. A corporation with a taxable payroll of $500,000 or less can exclude its principal officers (president, vice president, secretary and treasurer) from coverage under the state's unemployment compensation law if the officers have a direct or indirect substantial ownership interest in the corporation.

d. A county department or agency which serves as a fiscal agent or contracts with a fiscal intermediary to perform services for a person receiving certain long-term support or personal assistance programs is not liable for unemployment compensation taxes due from the individuals it is serving as a fiscal agent.

e. A crew leader who furnishes crew members to perform service in agricultural labor for another person is a covered employer if the crew leader is registered under federal law or substantially all the members of the crew operate or maintain tractors, mechanized harvesting or cropdusting equipment or other mechanized equipment furnished by the crew leader and if the crew leader is not an employe for unemployment compensation purposes.

f. A successor business of a covered employer is also a covered employer.

g. Each partnership consisting of the same partners is a covered employer if each partnership maintains separate accounting records, otherwise qualifies as an employer under state law, applies to be treated as a covered employer and receives approval from DILHR.

Employers that are not covered by Wisconsin's unemployment compensation law may file a written election with DILHR to become a covered employer. Such an election is subject to DILHR's approval and is in effect for at least two years. The state's law also contains a provision to ensure that the law remains in compliance with the minimum federal standards. This provision states that an employer is covered by Wisconsin law if the employer is subject to the federal unemployment compensation law or if this coverage is required to obtain the full tax credit against the federal unemployment tax.

In order for an individual to be eligible for unemployment compensation benefits, the individual must have been employed in covered employment. In most situations, this employment will have been at a work location within the state's boundaries. However, in some cases, work for an employer may have been in more than one state (or country). Special provisions of the state's unemployment compensation law are applied in these cases to determine whether the employment is covered under Wisconsin's law. In some circumstances an employer may execute an agreement which designates either Wisconsin or another state as the state in which the employer's workers will be covered, even though the employment occurs in more than one state.

Most service that is performed in Wisconsin is covered by the state's unemployment compensation law. However, certain types of service are specifically excluded from this coverage, and are listed in Appendix A.

Financing Unemployment Compensation Benefits

Wisconsin's unemployment compensation law establishes two types of financing for unemployment compensation benefits. Private, for-profit employers covered by the unemployment compensation law are required to use contribution financing. Nonprofit organizations and governmental units have the option of choosing either contribution or reimbursement financing. Most of the nonprofit organizations and almost all of the governmental units have elected to use reimbursement financing.

Contribution Financing

Employers who are subject to contribution financing are required to make contribution payments to the unemployment compensation reserve fund. These contribution payments must be paid by all covered employers regardless of the nature of the business. However, the amount of these payments will reflect fluctuations in the level of employment. The specific payments made by a business are determined by applying the employer's combined contribution and solvency rates to its taxable payroll. Currently, an employer's taxable payroll is equal to the first $10,500 paid in a calendar year to each employe working in covered employment. The employer's contribution rate and, indirectly, its solvency rate are based on the employer's unemployment experience. This experience is reflected in an employer account balance in the unemployment reserve fund. The account balance is the net of all tax payments less benefit charges for that employer. To determine the applicable contribution rates, each June 30, the balance in an employer's unemployment reserve fund account is calculated and divided by the employer's taxable payroll for the preceding year. This computation yields a "reserve percentage" which serves as an indicator of the status of the employer's account in relationship to the size of the employer's taxable payroll. A positive reserve percentage indicates that an employer has paid more in contributions than its employes have drawn in benefits, while a negative reserve percentage indicates that the opposite is true.

To determine an employer's contribution rate, the employer's reserve percentage is compared to a related contribution rate in a statutory table. Since an employer's reserve percentage serves as a relative indicator of the employer's unemployment experience, the employer's contribution rate will increase as the employer lays off an increasing number of people. The required contribution payment an employer must make is calculated by multiplying the employer's taxable payroll by the employer's contribution rate. This payment is then credited to the employer's account. Each employer account is maintained to keep track of the employer's payment and unemployment experience and does not represent a portion of the unemployment reserve fund that is earmarked for the former employes of each employer. Most of the benefits paid to an employer's laid off employes are charged against the employer's account, although the benefits are actually paid from a common fund.

The contribution rate paid by an employer for a given year may be affected by two provisions of the state's unemployment compensation law. First, for an employer whose reserve percentage equals or exceeds zero (positive reserve percentage), current law limits to 1% any increase in the contribution rate from one calendar year to the next. Employers with a reserve percentage of less than zero (negative reserve percentage) cannot have an increase in the contribution rate of more than 2% from one year to the next. (The rates are rounded up if there is no rate exactly 1% or 2% higher). Therefore, any increase in the contribution rates paid by an employer from one calendar year to the next is limited even though the employer's reserve percentage might warrant a larger increase.

Second, employers are allowed to make voluntary contributions to their unemployment reserve accounts for the purpose of increasing their reserve percentage which, in turn, would lower the contribution rate. DILHR mails an initial contribution rate notice by the end of October and employers have until November 30 to make voluntary contributions for the purpose of lowering that rate. However, voluntary contributions can be used to lower the contribution rate only to the next lowest level in the rate schedule. In addition, an employer cannot make a voluntary contribution for five years after having written off a negative balance in the employer's account to the unemployment reserve fund's balancing account. Any contributions in excess of the amount required to reduce the employer's rate to the extent permitted is applied against any outstanding liability or, in the absence of any liability, is to be refunded or used as a credit against future contributions payable by the employer.

For new employers and existing employers first subject to contribution payments, the contribution rate is 2.7% for the first two calendar years that they make contributions. However, new employers with a taxable payroll in excess of $10,000,000 may elect to pay a contribution rate of 1% of taxable payroll. A further exception is made for new employers in the construction industry, who are assigned rates for the first two calendar years equal to the average rate for all construction industry employers. For employers with an annual payroll of $20,000 or more, if the benefits charged to the account exceed the contributions credited to the account, an additional assessment of 1.3% is made on the employer's taxable payroll for that calendar year. Once an employer has been subject to contribution payments for two calendar years, the employer's contribution rate is computed in the normal manner and is based on the employer's unemployment experience.

All employers who make regular contributions to the unemployment reserve fund are also required to make solvency contributions. These payments are credited to the unemployment reserve fund's balancing account, not the individual employer's account, so that solvency contributions do not affect the employer's reserve percentage. The solvency contribution rate for each employer is determined by linking the employer's contribution tax rate to the appropriate solvency tax rate in the statutory rate schedule.

Under current law, there are three different sets of contribution and solvency rate schedules. In addition, each solvency rate schedule distinguishes between employers with taxable payrolls of less than $500,000 and employers with taxable payrolls of $500,000 or more. Table 1 shows the statutory contribution and solvency tax rate schedules. The specific rate schedule that applies in a given year depends upon the balance in the state's unemployment reserve fund on the prior June 30. Schedule A is effective if the balance in the state's unemployment reserve 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 $1 billion, and Schedule C applies if the balance in the fund exceeds $1 billion.

Based on the balance in the state's unemployment reserve fund as of June 30, 1994, Schedule C applies for unemployment compensation taxes paid in calendar year 1995. As a result, the contribution rate schedule in effect ranges from 0.0% to 8.9% while the solvency rate schedule ranges from 0.02% to 0.85%. Thus, in Wisconsin, the combined (contribution and solvency) unemployment compensation rate schedule ranges from a minimum of 0.02% to a maximum of 9.75%.

As noted, solvency contributions are credited to the unemployment reserve fund's balancing account rather than the individual employer's account. In certain cases, the balancing account is used to pay benefits which cannot be charged to an individual employer's account. For example, when benefits exceed the contributions paid by an employer who has gone out of business, the unpaid amount is charged to the balancing account. The balancing account is also used to offset individual employer writeoffs. Under current law, negative June 30 unemployment reserve account balances in excess of 10% of the employer's annual payroll can be written off to the balancing account. Thus, when the individual employer's June 30, account balance is negative and is in excess of 10% of the employer's annual payroll, charges in excess of 10% of the payroll can be deleted (written off) from the employer's account and offset by funds in the balancing account.

TABLE 1: Employers' Contribution and Solvency Rate Schedules

Reserve Percentage	*SCHEDULE A* Under $500,000 Taxable Payroll			*SCHEDULE A* $500,000 or More Taxable Payroll			*SCHEDULE B* Under $500,000 Taxable Payroll			*SCHEDULE B* $500,000 or More Taxable Payroll			*SCHEDULE C* Under $500,000 Taxable Payroll			*SCHEDULE C* $500,000 or More Taxable Payroll		
	Basic	Solvency	Total	Basic	Solvency	Total	Basic	Solvency	Total	Basic	Solvency	Total	Basic	Solvency	Total	Basic	Solvency	Total
15% or more	0.27	0.00	0.27	0.27	0.43	0.70	0.00	0.05	0.05	0.00	0.10	0.10	0.00	0.02	0.02	0.00	0.05	0.05
10% to 15%	0.27	0.00	0.27	0.27	0.43	0.70	0.20	0.05	0.25	0.20	0.10	0.30	0.20	0.02	0.22	0.20	0.05	0.25
9.5% to 10%	0.45	0.00	0.45	0.45	0.60	1.05	0.35	0.05	0.40	0.35	0.15	0.50	0.35	0.02	0.37	0.35	0.05	0.40
9.0% to 9.5%	0.53	0.00	0.53	0.53	0.70	1.23	0.45	0.05	0.50	0.45	0.20	0.65	0.45	0.02	0.47	0.45	0.05	0.50
8.5% to 9.0%	0.72	0.20	0.92	0.72	0.70	1.42	0.65	0.20	0.85	0.65	0.30	0.95	0.65	0.10	0.75	0.65	0.15	0.80
8.0% to 8.5%	0.79	0.30	1.09	0.79	0.80	1.59	0.80	0.20	1.00	0.80	0.35	1.15	0.80	0.10	0.90	0.80	0.20	1.00
7.5% to 8.0%	0.86	0.40	1.26	0.86	0.90	1.76	0.90	0.20	1.10	0.90	0.40	1.30	0.90	0.10	1.00	0.90	0.25	1.15
7.0% to 7.5%	0.97	0.50	1.47	0.97	1.00	1.97	1.05	0.25	1.30	1.05	0.45	1.50	1.05	0.15	1.20	1.05	0.30	1.35
6.5% to 7.0%	1.23	0.60	1.83	1.23	1.00	2.23	1.30	0.30	1.60	1.30	0.50	1.80	1.30	0.15	1.45	1.30	0.35	1.65
6.0% to 6.5%	1.48	0.70	2.18	1.48	1.10	2.58	1.60	0.35	1.95	1.60	0.55	2.15	1.60	0.20	1.80	1.60	0.40	2.00
5.5% to 6.0%	1.82	0.80	2.62	1.82	1.20	3.02	1.95	0.45	2.40	1.95	0.60	2.55	1.95	0.25	2.20	1.95	0.45	2.40
5.0% to 5.5%	2.16	0.90	3.06	2.16	1.30	3.46	2.30	0.50	2.80	2.30	0.65	2.95	2.30	0.30	2.60	2.30	0.50	2.80
4.5% to 5.0%	2.50	0.90	3.40	2.50	1.40	3.90	2.65	0.55	3.20	2.65	0.70	3.35	2.65	0.35	3.00	2.65	0.55	3.20
4.0% to 4.5%	2.84	1.00	3.84	2.84	1.50	4.34	3.00	0.60	3.60	3.00	0.70	3.70	3.00	0.40	3.40	3.00	0.55	3.55
3.5% to 4.0%	3.18	1.10	4.28	3.18	1.70	4.78	3.45	0.65	4.10	3.45	0.70	4.15	3.45	0.40	3.85	3.45	0.55	4.00
0% to 3.5%	3.57	1.20	4.77	3.57	1.70	5.27	4.00	0.65	4.65	4.00	0.70	4.70	4.00	0.40	4.40	4.00	0.55	4.55
0% to - 1%	5.70	0.90	6.60	5.70	0.90	6.60	4.70	0.90	6.60	5.70	0.90	6.60	5.70	0.70	6.40	5.70	0.70	6.40
- 1% to - 2%	6.20	0.90	7.10	6.20	0.90	7.10	6.20	0.90	7.10	6.20	0.90	7.10	6.20	0.70	6.90	6.20	0.70	6.90
- 2% to - 3%	6.70	0.90	7.60	6.70	0.90	7.60	6.70	0.90	7.60	6.70	0.90	7.60	6.70	0.70	7.40	6.70	0.70	7.40
- 3% to - 4%	7.20	0.90	8.10	7.20	0.90	8.10	7.20	0.90	8.10	7.20	0.90	8.10	7.20	0.70	7.90	7.20	0.70	7.90
- 4% to - 5%	7.70	0.90	8.60	7.70	0.90	8.60	7.70	0.90	8.60	7.70	0.90	8.60	7.70	0.80	8.50	7.70	0.80	8.50
- 5% to - 6%	8.20	0.90	9.10	8.20	0.90	9.10	8.20	0.90	9.10	8.20	0.90	9.10	8.20	0.85	9.05	8.20	0.85	9.05
- 6% or more	8.90	0.90	9.80	8.90	0.90	9.80	8.90	0.90	9.80	8.90	0.90	9.80	8.90	0.85	9.75	8.90	0.85	9.75

Schedule A is effective with an Unemployment Reserve Fund balance of less than $300 million.
Schedule B is effective with an Unemployment Reserve Fund balance of $300 million to $1 billion.
Schedule C is effective with an Unemployment Reserve Fund balance in excess of $1 billion.

Employers who make contributions to the unemployment reserve fund do so on a quarterly basis. Prior to the time an employer's contribution is due, the Department's tax collection system generates a contribution report which is sent to the employer approximately one week before the end of the calendar quarter. The employer then takes the following steps to calculate its contribution liability:

1. Lists the gross wages paid to employes in the previous quarter.

2. Deducts wages paid to employes in excluded employment.

3. Deducts wages paid to employes after the first $10,500 per year per employe.

4. Multiplies the remaining taxable payroll by its total contribution rate to get the total contribution liability.

In order to illustrate the computation of contribution and solvency liability, a detailed example is provided in Appendix B.

An employer has one month after the end of each quarter to make the required contribution payment. If the employer does not meet the due date, the Department will mail a delinquency notice to the employer. If an employer neglects or refuses to pay any debt after the Department has made a demand for payment, then the Department may collect the debt and any associated expenses by using the powers of levy and distraint on any property owned by the employer. Interest charged on the unpaid balance is deposited to the unemployment administration fund. A detailed example involving a hypothetical employer and illustrating how contribution financing works over a period of time is provided in Appendix C.

Reimbursement Financing

Reimbursement financing is used by almost all governmental units and most nonprofit, nongovernmental organizations. Under Wisconsin's unemployment compensation law, the state is required to use reimbursement financing. Other governmental units must use reimbursement financing unless they elect to use contribution financing. Nonprofit, nongovernmental organizations may elect to use reimbursement financing instead of contribution financing. These organizations must then post an assurance of reimbursement with the treasurer of the unemployment reserve fund.

A separate reimbursement account is maintained for each employer using reimbursement financing. These employers may build positive balances in their accounts at any time. Benefits paid to their former employes are then charged to their reimbursement accounts. If there is a sufficient balance in the account to cover the benefit charge, no additional payment is required. However, if the benefit charge results in a negative account balance, the employer must submit a reimbursement payment to bring the account back to at least a zero balance.

Employers using reimbursement financing are billed by DILHR at the end of each month for any negative balances in their reimbursement accounts. The employers have 20 days to make their reimbursement payments, after which the payment is considered delinquent and the employers are charged late filing fees and interest at the rate of 1% per month. Nonprofit organizations are treated in the same manner as private, for-profit employers in the collection of delinquent payments. For governmental units, excessive delinquent payments can be recovered by withholding up to one half of any aid payments the units are entitled to receive from the state.

Reimbursement financing presents a more direct link between benefits paid to an employer's former employes and the payments that the employer is required to make. This type of financing, therefore, generally does not have implications for the solvency of the state's unemployment compensation system.

Regular Unemployment Compensation Benefits

Criteria for Eligibility

To be eligible for regular unemployment compensation benefits an individual must have been employed in covered employment either totally or partially, be able and available for work, be seeking suitable work and be registered for work at a public employment office. In addition, a claimant must have been paid 30 times his or her weekly benefit rate in the base period including seven times the weekly benefit rate outside the calendar quarter in which the claimant earns the highest wages. The "base period" is the first four of the five most recently completed calendar quarters. If the claimant earns less than an amount necessary to generate a minimum weekly benefit payment ($1,250 in the high quarter), no benefits are payable to that employe.

Special Eligibility Provisions

Wisconsin's unemployment compensation law includes several provisions which may render some individuals ineligible to receive some or all of the regular benefits which they would otherwise receive. These provisions are listed and described below:

1. **Discharge for misconduct**. An employe who is discharged for misconduct connected with his or her employment is ineligible for benefits based on work for the discharging employer and is ineligible for benefits based on work for other employers unless he or she requalifies. In order to requalify, seven weeks must elapse since the end of the week in which the discharge occurs and the employe must earn wages equal to at least 14 times the weekly benefit rate he or she would have received if termination had not occurred. The wages paid by the employer that terminates the employment are excluded from base period wages if the employe requalifies for benefits.

2. Disciplinary suspension. An employe who is suspended for misconduct or other good cause connected with his or her employment is ineligible for benefits until three weeks have elapsed since the end of the week in which the suspension occurs or until the suspension is terminated.

3. Voluntary termination of employment. Under most circumstances, an employe who voluntarily terminates his or her employment with an employing unit is ineligible to receive any benefits unless he or she requalifies. An individual whose employer grants the individual's voluntary request to indefinitely reduce the number of hours he or she works is treated as voluntarily terminating employment. In order to requalify, four weeks must elapse since the end of the week in which the termination occurs and the employe must earn wages equal to at least four times the weekly benefit rate that would be received had the termination not occurred. The benefits based on wages paid by the employer from whom the claimant voluntarily terminates employment are charged to the unemployment reserve fund's balancing account. There are a number of exceptions to this general requalification requirement including: termination with good cause; termination to accept a recall to work from a former employer; termination because of sexual harassment; termination of part-time employment to accept full time employment; termination of employment due to honorable discharge from military service; and termination to accept another job in covered employment if that job offers the employe better pay, more hours or longer-term employment or if it is closer to the employe's home.

4. Suitable work. If an employe, without good cause, fails to accept suitable work when offered or fails to return to work when recalled, the employe is ineligible to receive any benefits unless he or she requalifies. In order to requalify, four weeks must have elapsed since the employe failed to apply for or take work and the employe must earn wages equal to at least 4 times the weekly benefit rate he or she would have received had the failure to apply or take work not occurred.

5. Labor disputes. An employe who is unemployed due to a strike or other bona fide labor dispute, other than a lockout, is ineligible for benefits for any week in which the strike or labor dispute is in active progress in the establishment in which he or she was employed. A lockout is defined as the barring of one or more employes from their employment in an establishment by an employer as part of a labor dispute, which is not directly subsequent to a strike or other job action or which continues after the termination of a strike or other job action.

6. School-Year Employes. Specific provisions govern the eligibility of certain educational employes for unemployment compensation benefits during certain periods in which these individuals are not working. The provisions apply specifically to: (a) school-year employes of educational institutions; (b) school-year employes of governmental units and nonprofit organizations which provide services to or on behalf of educational institutions; (c) school-year employes of educational service agencies.

School-year employe is defined as an employe of an educational institution or an educational service agency or an employe of a governmental unit or nonprofit organization which provides services to or on behalf of, an educational institution, who performs services under an employment contract which does not require that the services be performed on a year-round basis. Employes hired to work for the entire year rather than for an academic year would continue to be excluded from the benefit eligibility restrictions. An educational service agency is a government entity which is established and operated exclusively for the purpose of providing services to one or more educational institutions.

A school-year employe who performs services in an instructional, research or principal administrative capacity would be ineligible for benefits based on services for any unemployment which occurred:

(a) During the period between two successive academic years or terms if the school-year employe performed such services in the first year or term and if there was a reasonable assurance that he or she would be reemployed in the same capacity (instructional, research and administrative) by the same type of employer (educational institution, nonprofit organization, governmental unit or educational service agency) in the second academic year or term;

(b) During the period between two regular but not successive terms under an agreement between the employer and school-year employe which provides for such a period, if the school-year employe performed such services in the first term and there was reasonable assurance that he or she would be reemployed in the same capacity by the same type of employer in the second academic year or term.

(c) During an established and customary vacation period or holiday recess if the school-year employe performed such services in the period immediately before the vacation period or holiday recess and if there was reasonable assurance that he or she would perform services for the same type of employer in the period immediately following the vacation period or holiday recess.

Similarly, a school-year employe who performs services that were not in an instructional, research or principal administrative capacity would be ineligible for benefits based on services for any unemployment which occurred:

(a) During a period between two successive academic terms or years if the school-year employe performed such services in the first term and there is reasonable assurance that he or she would be reemployed in the same capacity for the same type of employer in the second academic year or term.

(b) During an established and customary vacation period or holiday recess if the school-year employe performed such services in the period immediately before the vacation period or holiday recess and if there was reasonable assurance that he or she would perform services for the same type of employer in the period immediately following the vacation period or holiday recess.

7. **Approved training**. The availability for work, suitable work and work search provisions do not apply to an individual who is enrolled in training approved by the Department. Training that may be approved includes a full-time course of vocational training or basic education which is a prerequisite to such training. In order to remain eligible for benefits, the individual must possess aptitudes or skills which can be usefully supplemented by training, must attend the course on a full-time basis, must make satisfactory progress in the course and must be reasonably expected to complete the training course and find and accept work. In addition, the course must be expected to increase the individual's opportunities to obtain employment, not grant substantial credit leading to a bachelor's or higher degree, and be given by a Wisconsin Technical College System district or other DILHR-recognized training institution. Individuals who enroll in training under either the Federal Trade Act of 1974 or the dislocated workers section of the Job Training Partnership Act are also exempt from certain work-related disqualifications that would otherwise apply.

Determination of Unemployment Compensation Benefits

If an individual meets the qualifying requirements, the individual receives unemployment compensation benefits based on the amount of wages paid in the base period. The weekly benefit rate is equal to 4% of wages paid in the calendar quarter in which the highest wages were paid to the claimant up to a maximum weekly benefit rate of $266. The minimum weekly benefit rate is $50. The maximum benefits available are the lesser of 26 times the weekly benefit rate or 40% of total base period wages. An employe is authorized to establish a benefit year whenever the employe is eligible to receive benefits, has experienced at least a 25% reduction in hours worked in one week as compared to the average weekly hours worked for the preceding 13 weeks and expects to be eligible to receive benefits during the next 13 weeks.

Table 2 includes information which can be used to illustrate the method of determining the unemployment compensation benefits that a hypothetical claimant would receive.

TABLE 2: Wages Paid to Hypothetical Claimant In First Four of Last Five Quarters

Calendar Quarter	Earnings
Quarter 1	$3,000
Quarter 2	4,100
Quarter 3	4,000
Quarter 4	7,000
	$18,100

The table shows that the hypothetical claimant was paid a total of $18,100 in the base period and $7,000 in the calendar quarter in which the highest wages were paid. As noted, the base period is the first four of the previous five quarters. Therefore, pay in the most recent calendar quarter is not included in base-period wages.

The first step in computing the claimant's benefit payments is to determine the weekly benefit rate. The weekly benefit rate is equal to 4% of the wages in the calendar quarter in which the highest wages were paid. In this case, that would be 4% of $7,000 or $280. Under Wisconsin law, a statutory table is used to perform this calculation. However, because the calculated rate exceeds the maximum weekly benefit rate provided in the statutes, the maximum statutory rate of $266 would apply. (Appendix D shows the complete schedule used to determine weekly benefit amounts.)

In order to be eligible for benefits, the claimant must be paid total wages in the base period equal to 30 times the weekly benefit rate including payments that are 7 times the weekly benefit rate in quarters other than that in which the highest payments occur. With a weekly benefit rate of $266, the claimant must be paid total wages of 30 x $266 or $7,980 and 7 x $266 or $1,862 of that amount must be paid outside the quarter with the highest wages. In the example, the claimant was paid total wages of $18,100 including $11,100 outside the high quarter and, as a result, is eligible to receive benefits.

Total benefit payments are the lesser of 26 times the weekly benefit rate or 40% of base period wages. For the hypothetical claimant that amount would be $6,916 or 26 times the weekly benefit rate (26 x $266) rather than 40% of base period wages which would be $7,240 (.40 x $18,100). The number of weeks for which the weekly benefit payment would be received is determined by dividing total benefit payments by the weekly benefit rate. In this case, that results in 26 weeks during which benefits would be paid ($6,916 ÷ $266).

In general, if a claimant has base-period wages with more than one employer, each employer's account in the unemployment reserve fund is charged for benefits paid in the same proportion that base-period wages paid to the claimant by that employer bear to total base-period wages paid to the claimant. However, employers who pay total wages that are less than 5% of the claimant's base-period wages are not charged for benefits based on such wages. Instead, each other employer with a share of base-period wages are charged for these benefits in the same proportion that base-period wages from such employers bear to total base-period wages from such employes.

Generally, compensation in lieu of wages (including worker's compensation, back pay, vacation pay, holiday pay, termination pay and sick pay paid directly by the employer at the employe's usual rate of pay) are treated as wages for the purposes of benefit qualification and the determination of an individual's weekly benefit amount. Also, such payments are treated in the same manner as wages earned in partial employment and can act to reduce or deny a claimant's benefit payment.

Retirement pay, however, is treated somewhat differently than other nonwage payments. An individual's regular benefit payment will be reduced by the amount of any retirement pay attributed to that week which was financed by contributions made by a party other than the individual. For social security pensions, one-half of the amount is considered to have been financed by other parties, so a weekly unemployment compensation benefit payment is reduced by one-half of any social security payments an individual received for that week. This reduction by one-half applies to other pension systems as well, unless evidence is provided to DILHR that a separately calculated fraction should be used. If an individual receives retirement pay that is entirely financed by other parties, his or her unemployment payment for that week will be reduced by the entire amount of the retirement pay.

In addition to reductions made for the receipt of wages or other types of pay, a claimant's weekly benefit payment can be reduced for child support obligations. If an agency enforcing a child support order notifies DILHR, the Department is required to deduct the amount designated by the child support order from each week's payment. The Department then forwards this amount to the child support enforcement agency.

In order to claim unemployment compensation benefits, an unemployed worker must go to a local Unemployment Compensation office and file an initial notice of unemployment. Subsequently, DILHR will determine the claimant's eligibility and weekly benefit rate based on quarterly wage record reports filed by each employer. An employer can question the eligibility of benefits based on work performed for that employer. Similarly, a claimant can question the Department's computation of the weekly benefit rate by providing evidence that it is incorrect.

In order to receive regular benefits, an individual must file a weekly claim card. Along with general qualifying information, these cards indicate whether the individual earned any wages, income from self-employment or any vacation, holiday, termination, retirement or back pay during a given week. Each of these items may have an impact on the amount of the individual's benefit payment or whether the individual will receive a payment at all for that week.

Partial Employment

Under current law, regular unemployment benefits may be available to individuals who are partially employed during a week. To determine the benefit payment received by an individual who is partially employed, the first $30 of wages is excluded and the benefit payment is reduced by 67% of the individual's unexcluded wages. No benefit payment of less than $5 may be made.

However, a claimant is ineligible to receive benefits for a week if: (a) the claimant was engaged in employment with an employer from which the claimant was paid 80% of his or her base-period wages; and (b) the claimant worked for that employer at least 35 hours in that week at the same or greater rate of pay (excluding bonuses, incentives, overtime or any other supplement to earnings) as the claimant was paid by that employer in the quarter of the claimant's base period in which the claimant was paid his or her highest wages.

■ Administration of the Unemployment Compensation System

The Department of Industry, Labor and Human Relations has established 25 local offices and provides itinerate services in 32 other service locations throughout the state. In addition, DILHR has entered into reciprocal arrangements with similar agencies in other states to aid in the administration of unemployment compensation benefits in situations involving employment or employers in more than one state.

Benefit Appeals Process

If a dispute originates over a claim filed by an individual, the local office where the claim was filed will make an investigation and issue an initial determination. Benefits will either be paid to or withheld from the individual on the basis of this determination, regardless of whether the losing party plans to appeal the decision. If a party to the dispute disagrees with the initial determination, that party has 14 days to file a written request for an appeal, accompanied by a statement of the reason for the disagreement.

After DILHR receives a request for an appeal, it schedules a hearing in front of an appeal tribunal, which is conducted by a permanent, salaried hearing examiner. These examiners work out of special unemployment compensation hearing offices in Madison, Milwaukee, Menasha and Eau Claire, but conduct the hearings at 32 locations throughout the state. The hearings are quasi-judicial proceedings, at which both sides are allowed to give testimony and cross examine each other under oath. The hearing examiners will ask questions of the parties involved to bring out any relevant facts that would otherwise be omitted. A written decision is issued by the hearing examiner based on the evidence received at the hearing.

The decision of an appeals tribunal can be appealed to the Labor and Industry Review Commission within 21 days of the decision. The Commission will issue a written decision based on a synopsis of the hearing record and will not usually take new testimony. However, the Commission is authorized to request additional information. This decision can be appealed within 30 days to the regular judicial system, starting with a circuit court.

At each stage in the appeals process, benefits are either paid or denied based on the most recent decision. If an individual has received benefits during the course of the appeals process, these benefits must be repaid if the final decision is in favor of the employer. In cases involving private, for-profit employers or nonprofit organizations which make contribution payments, the employer's account is immediately credited for the amount of the benefits paid to the individual. These benefits are then charged to the balancing account of the unemployment reserve fund until they are repaid by the individual. In cases involving governmental units or nonprofit organizations which make reimbursement payments, the employer's account is not credited until the benefits are repaid by the individual.

Unemployment Compensation Advisory Council

The state's unemployment compensation law also establishes an Unemployment Compensation Advisory Council to advise the Department on matters related to unemployment compensation. This Council is composed of five employer and five employe representatives, who are appointed by the DILHR Secretary to serve six-year terms. In making these appointments, the Secretary is required to consider achieving balanced representation of the industrial, commercial, construction, nonprofit and public sectors of the state's economy and to appoint at least one employer representative who is either the owner of a small business or a representative of an association of small businesses. In addition to these voting members, the Secretary must appoint a permanent classified employe of the Department to serve as a nonvoting chairperson. The members of the Council are required to vacate their office if they lose the status upon which their appointment was based.

The Unemployment Compensation Advisory Council is required to advise the Department in carrying out the purposes of the Wisconsin unemployment compensation law. The Council also can submit its recommendations for changes in the unemployment compensation law to the Legislature and can report its views on any other pending legislation which relates to unemployment compensation. In order to take action as a body, seven members of the Council must vote for a proposal. In addition, the Department is required to consider the Council's proposals for administrative or legislative action and to review the Council's legislative proposals for possible incorporation into the Department's legislative recommendations.

Unemployment Reserve Fund

The Department of Industry, Labor and Human Relations is responsible for the administration of the state's unemployment reserve fund. This fund consists of all the contributions and other payments made under the state's unemployment compensation law. Federal law requires that the unemployment reserves in this fund be kept on deposit with the U.S. Treasury. The First Wisconsin National Bank of Milwaukee, which receives the employers' payments, transfers these funds to the U.S. Treasury, which pays interest on the money in the nondebtor states' accounts at the current rate of interest on the outstanding federal debt. The unemployment reserve can be expended only on unemployment compensation benefit payments.

To withdraw money to make benefit payments, DILHR notifies First Wisconsin of its estimate of benefit checks that will clear on a given day. This notification is made one day in advance, so First Wisconsin can make a wire transfer of funds from the Wisconsin account at the U.S. Treasury to a separate checking account maintained at First Wisconsin for benefit payments. Benefits are then debited to this account as benefit checks are presented for payment. If the amounts in Wisconsin's unemployment reserve account at the U.S. Treasury are insufficient to cover anticipated benefit payments, the state can borrow from the federal unemployment account. This borrowing is done at an interest rate which is the lower of 10% or the average rate on specified federal securities.

The Department is required to submit information on the status of the unemployment reserve fund to the Legislature on a biennial basis. The Secretary of DILHR is required to submit a statement of unemployment compensation financial outlook to the Governor, the majority and minority leaders of the Senate and the Speaker and minority leader of the Assembly on or about January 15 of each odd-numbered year. This statement must include the following:

1. Proposed changes in the laws relating to unemployment compensation financing, benefits and administration, with an explanation for these recommendations;

2. Projections of unemployment compensation operations, including benefit payments, tax collections, borrowing or debt repayments and the amount of any interest charges, under both current law and the proposed changes;

3. The economic and public policy assumptions upon which the projections are made and the impact which variations from these assumptions would have on the projections;

4. If significant cash reserves in the unemployment reserve fund are projected throughout the forecast period, a statement giving the reasons why the reserves should be retained in the fund; and

5. If unemployment compensation program debt is projected at the end of the forecast period, the reasons why it is not proposed to liquidate the debt.

Along with this statement, the Secretary must submit a report summarizing the deliberations of the Unemployment Compensation Advisory Council and the Council's position, if any, on each of the proposed changes in the unemployment compensation law.

Once the financial statement and report have been submitted, the Governor may convene a special committee to review the statement and report. This committee would consist of the DILHR Secretary and the four legislators who received the statement. The Governor is required to convene this committee at the request of two or more of the four legislators. This committee would be required to attempt to reach a consensus concerning the proposed changes to the unemployment compensation law.

The final step in this process is the submission of an updated statement of unemployment compensation financial outlook to each member of the Legislature. This statement must include the Governor's recommendations and an explanation of these recommendations. If a special committee was convened, its recommendations must be submitted along with the updated statement.

Financial Status of the Unemployment Reserve Fund

In 1982, Wisconsin's unemployment reserve fund began to experience operating deficits. As a result, the state began borrowing funds from the federal government to finance these operating deficits. These loans were first made to Wisconsin in February, 1982.

In order to reduce the deficits in the unemployment reserve fund and to avoid increased federal unemployment compensation taxes for state employers, the Legislature enacted significant changes to the state's unemployment compensation law in both 1983 and 1985. In each case, unemployment taxes were increased and benefits were reduced. The additional funds generated by these changes in the unemployment reserve fund were used to pay off the federal debt. However, the payment of interest on federal loans from a state's unemployment reserve fund is prohibited. The primary source of funding for interest payments on the federal loans was an annual special assessment levied upon most employers who were subject to the state's unemployment compensation law. A second source of funds was interest and penalties collected from employers who made delinquent tax or reimbursement payments.

Because of these steps taken to improve the solvency of the state's unemployment reserve fund, Wisconsin employers were not subject to a reduction in the federal credit on their federal unemployment compensation taxes. Also, the state qualified for a reduction in the interest rate it paid on the federal loans. By the end of 1986, the state had paid back the principal on all federal loans. Interest on those loans was paid off in September, 1989.

Since 1986, the condition of the fund improved substantially. As a result, in 1989, the Legislature enacted the three contribution and solvency tax rate schedules that are currently in effect, which provided significant tax reductions to most employers in recent years. In addition, benefits were increased in 1989, 1991 and 1994.

TABLE 3: Year-End Unemployment Reserve Fund Balance and Outstanding Loans (In Millions)

Year	Total* Receipts	Benefit Payments	Fund Balance	Outstanding Debt
1982	$223	$688	-$416	$413
1983	298	519	-637	628
1984	565	347	-419	534
1985	573	406	-252	328
1986	648	352	43	0
1987	658	304	397	0
1988	615	266	746	0
1989	588	302	1,032	0
1990	513	341	1,203	0
1991	447	478	1,174	0
1992	448	438	1,184	0
1993	476	394	1,266	0

*Includes interest and other payments.
Source: Department of Industry, Labor and Human Relations

Table 3 shows the fund's year end balance and outstanding debt for 1982 through 1993. The table shows that the year-end deficit in the reserve fund reached a high of $637 million at the end of 1983. However, the deficit has decreased since that time and the fund had a positive ending balance at the end of 1986. The level of outstanding debt shows a similar pattern, increasing to a maximum of $628 million in 1983. The level of debt has decreased each year since 1983 and was repaid at the end of 1986.

APPENDIX A

Excluded Employment

The following types of employment are excluded from coverage by Wisconsin's unemployment compensation law:

Governmental Units

1. Service as an official elected by vote of the public or as an official appointed to fill the unexpired term of a vacant position normally filled by vote of the public.

2. Service as a member of a legislative body or the judiciary of a state or political subdivision.

3. Service as a member of the Wisconsin national guard in a military capacity.

4. Service as an employe serving solely on a temporary basis in case of fire, storm, snow, earthquake, flood or similar emergency.

5. Service in a major nontenured policy making or advisory position or in a policymaking or advisory position taking less than eight hours per week.

Governmental Units or Nonprofit Organizations

1. Service by an individual receiving work relief or work training as part of an unemployment work-relief or work-training program assisted or financed in whole or in part by any federal agency or other governmental agency, unless coverage is required as a condition for participation in the program.

2. Service by an individual receiving rehabilitation in a facility conducted for the purpose of carrying out a program of rehabilitation for individuals whose earning capacity is impaired by age, injury or physical or mental deficiency.

3. Service by an individual performing remunerative work in a facility which provides remunerative work for individuals who cannot be readily absorbed in the competitive labor market because of impaired physical or mental capacity.

4. Service by an inmate of a custodial or penal institution.

Nonprofit Organizations

1. Service in the employ of a church or a convention or association of churches.

2. Service in the employ of an organization operated primarily for religious purposes and operated, supervised, controlled or principally supported by a church or a convention or association of churches.

3. Service by a duly ordained, commissioned or licensed minister of a church in the exercise of his or her ministry or service by a member of a religious order in the exercise of duties required by the order.

Educational Institutions

1. Service by a student who is enrolled and is regularly attending classes at an educational institution.

2. Service by the spouse of such a student, if given written notice at the start of the service that the work is under a program to provide financial assistance to the student and that the work will not be covered by any program of unemployment compensation.

Specified Employers

1. Service by an individual who is enrolled as a student at a nonprofit or public educational institution in a full-time program of instruction which combines academic instruction with work experience, unless the program was established by or on behalf of an employer or employers.

2. Service as a student nurse in the employ of a hospital or nurses' training school by an individual who is enrolled and is regularly attending classes in a nurses' training school.

3. Service as an intern in the employ of a hospital by an individual who has completed a four-year course in a medical school.

4. Service in the employ of a hospital by a patient of the hospital.

5. Service in any calendar quarter in the employ of most organizations exempt from the federal income tax if the remuneration for the service is less than $50.

Private For-Profit Employers

1. Service in agricultural labor unless the employer paid wages for agricultural labor of at least $20,000 in any calendar quarter or employed at least 10 individuals in agricultural labor for some part of a day in at least 20 weeks.

2. Service as a domestic unless the employer paid wages of at least $1,000 in any calendar quarter for the service of one or more domestics.

3. Service as a caddy on a golf course.

4. Service as an individual selling or distributing newspapers or magazines on the street or from house to house.

5. Service for which unemployment compensation is payable under the federal railroad unemployment insurance act.

6. Service by an individual working for another person as an insurance agent or solicitor if all such service is performed for remuneration solely by way of commission.

7. Service by an individual working for another person as a real estate agent or salesperson if all such service is performed for remuneration solely by way of commissions.

8. Service as an unpaid officer of a corporation or association.

9. Service covered by any other unemployment compensation law pursuant to either to approval by DILHR or to a reciprocal agreement between DILHR and the administrative agency of another jurisdiction.

10. Service by an individual in the employ of the individual's son, daughter or spouse and service by an individual under the age of 18 for his or her parent.

11. Service for an employer who would otherwise be subject to the state unemployment compensation law as a result of federal unemployment compensation law if the employer covers the service under the law of another jurisdiction and approval is granted by DILHR.

12. Service by an individual for an employer engaged in the processing of fresh perishable fruits or vegetables solely within the active processing season or seasons if the individual's base period wages with an employer are less than 30 times the individual's weekly benefit rate and less than 7 times the weekly benefit rate outside the high quarter unless the individual earns wages of at least $200 in covered employment in work other than work for the processing employer in the four most recently completed quarters preceding the first week of employment by the processing employer in any given year.

13. Service by an individual as a court reporter if the individual receives wages on a per diem basis.

14. Service by an individual who makes in-person sales to or solicits orders from ultimate consumers, primarily in the home, if the individual's remuneration consists solely of commissions, overrides, bonuses or differentials directly related to such sales or other output.

15. Service in any type of maritime service specifically excluded from coverage under the federal unemployment tax act.

16. Service by an individual who leases a motor vehicle used for taxicab purposes, provided that the individual retains the income earned through the use of the leased motor vehicle, that the individual receives no direct compensation from the lessor and that the amount of the lease payment is not contingent upon the income generated through the use of the motor vehicle.

17. Work for a seasonal employer if, prior to such employment, the individual receives written notice from the seasonal employer that such service might not qualify the individual for unemployment compensation benefits unless; (a) the individual is employed by the employer for at least 90 days; or (b) the individual is paid at least $500 from one or more other covered employers.

DILHR is authorized to designate an employer a seasonal employer if:

(a) The employer is in a tourism, recreational or tourist service industry, including operation of a hotel, inn, camp, tourism attraction, restaurant, ice cream or soft drink stand, drive-in theater, race track, park, carnival, country club, golf course, swimming pool, chair lift or ski resort;

(b) The employer has been classified by DILHR as primarily engaged in agricultural production, agricultural services, forestry or commercial fishing, hunting or trapping;

(c) The employer customarily operates primarily during two calendar quarters within a year;

(d) At least 75% of the wages paid by the employer during the preceding year have to be paid in the two calendar quarters of the business' seasonal operations;

(e) The employer is not delinquent in making unemployment compensation contribution payments or in filing a contribution report.

If the remuneration for employment that is excluded from the state unemployment tax under these provisions is subject to the federal unemployment tax, such remuneration will not be excluded from the state tax during the period in which the remuneration is subject to the federal tax. Also, if employment that is excluded from state coverage is required by the federal unemployment tax act, the social security act, or any other federal law to be employment as a condition for receiving a federal tax credit, then the exclusion shall not apply under state law.

APPENDIX B

Computation of Contribution Liability

In order to illustrate how the unemployment compensation contribution tax liability is determined, the following tables provide information for a hypothetical firm. It is assumed that this firm employs three individuals in covered employment for the entire year and that one employe works half of the year, quits, and then is replaced in the third quarter. It is further assumed that the firm has a contribution rate of 1.95% and a solvency rate of 0.25% for a total rate of 2.20%. (This would imply a reserve percentage of 5.5% to 6.0% under rate schedule C. The firm is subject to the solvency rate schedule to businesses with a taxable payroll of less than $500,000.)

Payroll Records

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Employe 1	$15,000	$15,000	$15,000	$15,000	$60,000
Employe 2	6,250	6,250	6,250	6,250	25,000
Employe 3	5,000	5,000	5,000	5,000	20,000
Employe 4	5,000	5,000	-0-	-0-	10,000
Employe 5	-0-	-0-	6,000	6,000	12,000
Total Payroll	$31,250	$31,250	$32,250	$32,250	$127,000

Covered Payroll Over $10,500 Per Employe

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Employe 1	$4,500	$15,000	$15,000	$15,000	$49,500
Employe 2	-0-	2,000	6,250	6,250	14,500
Employe 3	-0-	-0-	4,500	5,000	9,500
Employe 4	-0-	-0-	-0-	-0-	-0-
Employe 5	-0-	-0-	-0-	1,500	1,500
Total Payroll	$4,500	$17,000	$25,750	$27,750	$75,000

Contribution Liability Computation

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Total
Total Payroll	$31,250	$31,250	$32,250	$32,250	$127,000
- Payroll Over $10,500	- 4,500	- 17,000	- 25,750	- 27,750	- 75,000
Taxable Payroll	$26,750	$14,250	$6,500	$4,500	$52,000
X Total Tax Rate	.022	.022	.022	.022	.022
Total Liability	$589	$314	$143	$99	$1,145

As these tables indicate, this hypothetical employer would pay a total of $1,145 in unemployment compensation taxes to the unemployment reserve fund. Since most of the employer's workers were employed from the beginning of the year, most of the contribution payments were due in the first half of the year ($903 out of $1,145 or 78.9%). This is generally true for most employers. Since contribution payments are based on taxable payroll rather than total payroll, differences in employe turnover can result in differing levels of contributions for employers with identical total payrolls. Every employer subject to contribution financing provisions usually must file a contribution report and make contribution payments at the close of the month following the calendar quarter for which the contributions are made.

APPENDIX C

Mechanics of Contribution Financing Over Time

The following tables are designed to reflect the manner in which contribution financing operates over a period of time. For the purposes of this example, it is assumed that the employer had a June 30, 1994, account balance of $2,032, that its taxable payroll for the preceding twelve months was $62,000 and that its regular contribution rate for the 1994 calendar year was 4.0%. (This implies a June, 1993, reserve percentage of 0% to 3.5%.) It is also assumed that the employer had a taxable payroll of $8,000 for the last six months of 1994 and no benefits were paid during this period.

The employer's regular contribution rate for the 1995 calendar year is determined by dividing the June 30, 1994, account balance ($2,032) by the taxable payroll for the preceding twelve months ($62,000). This computation yields a reserve percentage of 3.28%. Comparing this reserve percentage to Schedule C of the unemployment compensation tax rate schedules results in a regular contribution rate of 4.0%. The associated solvency rate is 0.40% for a total rate of 4.4% for calendar year 1995.

The employer's opening balance for calendar year 1995 can be determined by taking the June 30, 1994, account balance ($2,032), adding regular contributions made during the last six months of 1994 (4.0% x $8,000 = $320), and subtracting any benefit payments made during that period ($0). This calculation results in a January 1, 1995, account balance of $2,352. The following table shows the employer's contribution and benefit experience for calendar year 1995:

Calendar Year 1995

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year End Summary
Opening Balance	$2,352	$3,472	$4,292	$4,660	$2,352
Taxable Payroll	28,000	20,500	9,200	5,500	63,200
X Contribution Rate	.04	.04	.04	.04	.04
Regular Contributions	$1,120	$820	$368	$220	$2,528
Benefits Paid	0	0	0	0	0
Closing Balance	$3,472	$4,292	$4,660	$4,880	$4,880

As this table indicates, in 1995, the employer made regular contribution payments of $2,528 and did not experience any layoffs. To compute the employer's contribution rate for calendar year 1996, the closing balance for the second quarter, $4,292, is divided by the taxable payroll for the preceding twelve months ($8,000 for the last six months of 1994 and $48,500 for the first six months of 1993 = $56,500). This computation yields a reserve percentage of 7.6% and a corresponding contribution rate of 1.05% on Schedule C. The lack of layoffs and related benefit payments in the period from July 1, 1994, to June 30, 1995, produced a lower contribution rate for the employer. Note that solvency payments are not credited to individual employer accounts and, therefore, are not included in determining employer contribution rates. The next table provides information for calendar year 1996:

In 1996, the employer made regular contribution payments of $543 and laid off two workers who received benefits of $6,400. The calculation of the 1997 calendar year regular contribution rate is made by dividing the June 30, 1996, closing balance ($5,321) by the taxable payroll for the preceding twelve months ($14,700 for the last six months of 1995 and $42,000 for the first six months of 1996 = $56,700). This calculation results in a reserve percentage of 9.38% and a corresponding contribution rate for calendar year 1997 of 0.45%. The employer could make a voluntary contribution of $66 to increase its reserve percentage to 9.5% and thus reduce the contribution rate to 0.35%. However, since the employer's payroll has been only about $56,000 for the past few years, it would reduce total contribution payments by less than $60. Conversely, if the employer had taxable payroll over $160,000, it could save around $100 by making a voluntary contribution. Thus, it would not pay to make the voluntary contribution under existing circumstances. Also, note that, even though the employer laid off two workers in the second half of the year and ended with a negative account balance, this experience will not be reflected in a higher contribution rate until calendar year 1998.

Calendar Year 1996

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year End Summary
Opening Balance	$4,880	$5,116	$5,321	$2,189	$4,880
Taxable Payroll	22,500	19,500	6,500	3,200	51,700
X Contribution Rate	.0105	.0105	.0105	.0105	.0105
Regular Contributions	$236	$205	$68	$34	$543
Benefits Paid	-0-	-0-	$3,200	$3,200	$6,400
Closing Balance	$5,116	$5,321	$2,189	-$977	-$977

As the table for calendar year 1997 indicates, the employer made regular contributions of $288 in 1997 and recalled the two laid off employes so that no benefits were charged to the employer's account. The contribution rate in 1996 can be computed by dividing the June 30, 1997, closing balance (-$754) by the prior year's taxable payroll ($9,700 for the last six months of 1996 and $49,500 for the first six months of 1995 = $59,200). This computation produces a reserve percentage of -1.27% and a corresponding contribution rate of 6.20% on Schedule C. However, under Wisconsin law, the contribution rate paid by an employer with a negative account balance cannot increase annually by more than two percentage points. As a result, in 1998, the employer in this example would be subject to a contribution rate of 2.45% (.45% + 2.0%). Since there is no 2.45% regular contribution rate in Schedule C, the next highest regular

Calendar Year 1997

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Year End Summary
Opening Balance	-$977	-$853	-$754	-$712	-$977
Taxable Payroll	27,500	22,000	9,300	5,200	64,000
X Contribution Rate	.0045	.0045	.0045	.0045	.0045
Regular Contributions	$124	$99	$42	$23	$288
Benefits Paid	0	0	0	0	0
Closing Balance	-$853	-$754	-$712	-$689	-$689

contribution rate in the Schedule, 2.65%, is assigned for calendar year 1998. Note again that this increase in the 1998 contribution rate is the result of layoffs during the last six months of 1996.

Calendar Year 1998

	Quarter 1	2	3	4	Year End Summary
Opening Balance	-$689	$66	$309	$577	-$689
Taxable Payroll	28,500	20,500	10,100	6,000	65,100
X Contribution Rate	.0265	.0265	.0265	.0265	.0265
Regular Contributions	$755	$543	$268	$159	$1,725
Benefits Paid	0	300	0	0	300
Closing Balance	$66	$309	$577	$736	$736

During calendar year 1998, the employer made regular contributions of $1,725 and briefly laid off one employe during the second quarter. The benefits paid to this employe had no impact on the contribution rate for calendar year 1999 since the employer's June 30, 1998, reserve percentage would have been between 0% and 3.5% with or without the benefit payments. However, these payments could have an effect on future contribution rates. The employer's 1999 reserve percentage is calculated by dividing the June 30, 1998, closing balance ($309) by taxable payroll for the previous twelve months ($14,500 for the last six months of 1997 and $49,000 for the first six months of 1998 = $63,500). This results in a reserve percentage of 0.49% and a corresponding regular contribution rate of 4.0% for 1999. Again, the employer is subject to rate increase limits. In this case, the employer has a positive reserve percentage so the contribution rate increase is limited to one percentage point. The resulting contribution rate is 3.65%. However, there is no 3.65% rate in Schedule C so the next highest rate 4.0% is applied to 1999.

This example illustrates the lag which is present in the method of contribution financing under Wisconsin's unemployment compensation law. The hypothetical employer had regular contribution rates of 4.0% in 1995, 1.05% in 1996, 0.45% in 1997, 2.65% in 1998 and 4.0% in 1999. The employer's laid off workers collected unemployment benefits of $0 in 1995, $6,400 in 1996, $0 in 1997 and $300 in 1998. The employer paid its lowest contribution rates during the years (1996, 1997), in which it generated negative account balances. Conversely, it paid relatively higher rates in years in which it had positive account balances (1995, 1998). This lag makes the financing of unemployment compensation benefits countercyclical in its response to changing unemployment conditions.

APPENDIX D

Weekly Benefit Rate Schedule

Highest Quarterly Wages Paid	Weekly Benefit Rate	Highest Quarterly Wages Paid	Weekly Benefit Rate	Highest Quarterly Wages Paid	Weekly Benefit Rate	Highest Quarterly Wages Paid	Weekly Benefit Rate
Under 1,250.00	$0	2,600.00 to 2,624.99	104	3,975.00 to 3,999.99	159	5,350.00 to 5,374.99	214
1,250.00 to 1,274.99	50	2,625.00 to 2,649.99	105	4,000.00 to 4,024.99	160	5,375.00 to 5,399.99	215
1,275.00 to 1,299.99	51	2,650.00 to 2,674.99	106	4,025.00 to 4,049.99	161	5,400.00 to 5,424.99	216
1,300.00 to 1,324.99	52	2,675.00 to 2,699.99	107	4,050.00 to 4,074.99	162	5,425.00 to 5,449.99	217
1,325.00 to 1,349.99	53	2,700.00 to 2,724.99	108	4,075.00 to 4,099.99	163	5,450.00 to 5,474.99	218
1,350.00 to 1,374.99	54	2,725.00 to 2,749.99	109	4,100.00 to 4,124.99	164	5,475.00 to 5,499.99	219
1,375.00 to 1,399.99	55	2,750.00 to 2,774.99	110	4,125.00 to 4,149.99	165	5,500.00 to 5,524.99	220
1,400.00 to 1,424.99	56	2,775.00 to 2,799.99	111	4,150.00 to 4,174.99	166	5,525.00 to 5,549.99	221
1,425.00 to 1,449.99	57	2,800.00 to 2,824.99	112	4,175.00 to 4,199.99	167	5,550.00 to 5,574.99	222
1,450.00 to 1,474.99	58	2,825.00 to 2,849.99	113	4,200.00 to 4,224.99	168	5,575.00 to 5,599.99	223
1,475.00 to 1,499.99	59	2,850.00 to 2,874.99	114	4,225.00 to 4,249.99	169	5,600.00 to 5,624.99	224
1,500.00 to 1,524.99	60	2,875.00 to 2,899.99	115	4,250.00 to 4,274.99	170	5,625.00 to 5,649.99	225
1,525.00 to 1,549.99	61	2,900.00 to 2,924.99	116	4,275.00 to 4,299.99	171	5,650.00 to 5,674.99	226
1,550.00 to 1,574.99	62	2,925.00 to 2,949.99	117	4,300.00 to 4,324.99	172	5,675.00 to 5,699.99	227
1,575.00 to 1,599.99	63	2,950.00 to 2,974.99	118	4,325.00 to 4,349.99	173	5,700.00 to 5,724.99	228
1,600.00 to 1,624.99	64	2,975.00 to 2,999.99	119	4,350.00 to 4,374.99	174	5,725.00 to 5,749.99	229
1,625.00 to 1,649.99	65	3,000.00 to 3,024.99	120	4,375.00 to 4,399.99	175	5,750.00 to 5,774.99	230
1,650.00 to 1,674.99	66	3,025.00 to 3,049.99	121	4,400.00 to 4,424.99	176	5,775.00 to 5,799.99	231
1,675.00 to 1,699.99	67	3,050.00 to 3,074.99	122	4,425.00 to 4,449.99	177	5,800.00 to 5,824.99	232
1,700.00 to 1,724.99	68	3,075.00 to 3,099.99	123	4,450.00 to 4,474.99	178	5,825.00 to 5,849.99	233
1,725.00 to 1,749.99	69	3,100.00 to 3,124.99	124	4,475.00 to 4,499.99	179	5,850.00 to 5,874.99	234
1,750.00 to 1,774.99	70	3,125.00 to 3,149.99	125	4,500.00 to 4,524.99	180	5,875.00 to 5,899.99	235
1,775.00 to 1,799.99	71	3,150.00 to 3,174.99	126	4,525.00 to 4,549.99	181	5,900.00 to 5,924.99	236
1,800.00 to 1,824.99	72	3,175.00 to 3,199.99	127	4,550.00 to 4,574.99	182	5,925.00 to 5,949.99	237
1,825.00 to 1,849.99	73	3,200.00 to 3,224.99	128	4,575.00 to 4,599.99	183	5,950.00 to 5,974.99	238
1,850.00 to 1,874.99	74	3,225.00 to 3,249.99	129	4,600.00 to 4,624.99	184	5,975.00 to 5,999.99	239
1,875.00 to 1,899.99	75	3,250.00 to 3,274.99	130	4,625.00 to 4,649.99	185	6,000.00 to 6,024.99	240
1,900.00 to 1,924.99	76	3,275.00 to 3,299.99	131	4,650.00 to 4,674.99	186	6,025.00 to 6,049.99	241
1,925.00 to 1,949.99	77	3,300.00 to 3,324.99	132	4,675.00 to 4,699.99	187	6,050.00 to 6,074.99	242
1,950.00 to 1,974.99	78	3,325.00 to 3,349.99	133	4,700.00 to 4,724.99	188	6,075.00 to 6,099.99	243
1,975.00 to 1,999.99	79	3,350.00 to 3,374.99	134	4,725.00 to 4,749.99	189	6,100.00 to 6,124.99	244
2,000.00 to 2,024.99	80	3,375.00 to 3,399.99	135	4,750.00 to 4,774.99	190	6,125.00 to 6,149.99	245
2,025.00 to 2,049.99	81	3,400.00 to 3,424.99	136	4,775.00 to 4,799.99	191	6,150.00 to 6,174.99	246
2,050.00 to 2,074.99	82	3,425.00 to 3,449.99	137	4,800.00 to 4,824.99	192	6,175.00 to 6,199.99	247
2,075.00 to 2,099.99	83	3,450.00 to 3,474.99	138	4,825.00 to 4,849.99	193	6,200.00 to 6,224.99	248
2,100.00 to 2,124.99	84	3,475.00 to 3,499.99	139	4,850.00 to 4,874.99	194	6,225.00 to 6,249.99	249
2,125.00 to 2,149.99	85	3,500.00 to 3,524.99	140	4,875.00 to 4,899.99	195	6,250.00 to 6,274.99	250
2,150.00 to 2,174.99	86	3,525.00 to 3,549.99	141	4,900.00 to 4,924.99	196	6,275.00 to 6,299.99	251
2,175.00 to 2,199.99	87	3,550.00 to 3,574.99	142	4,925.00 to 4,949.99	197	6,300.00 to 6,324.99	252
2,200.00 to 2,224.99	88	3,575.00 to 3,599.99	143	4,950.00 to 4,974.99	198	6,325.00 to 6,349.99	253
2,225.00 to 2,249.99	89	3,600.00 to 3,624.99	144	4,975.00 to 4,999.99	199	6,350.00 to 6,374.99	254
2,250.00 to 2,274.99	90	3,625.00 to 3,649.99	145	5,000.00 to 5,024.99	200	6,375.00 to 6,399.99	255
2,275.00 to 2,299.99	91	3,650.00 to 3,674.99	146	5,025.00 to 5,049.99	201	6,400.00 to 6,424.99	256
2,300.00 to 2,324.99	92	3,675.00 to 3,699.99	147	5,050.00 to 5,074.99	202	6,425.00 to 6,449.99	257
2,325.00 to 2,349.99	93	3,700.00 to 3,724.99	148	5,075.00 to 5,099.99	203	6,450.00 to 6,474.99	258
2,350.00 to 2,374.99	94	3,725.00 to 3,749.99	149	5,100.00 to 5,124.99	204	6,475.00 to 6,499.99	259
2,375.00 to 2,399.99	95	3,750.00 to 3,774.99	150	5,125.00 to 5,149.99	205	6,500.00 to 6,524.99	260
2,400.00 to 2,424.99	96	3,775.00 to 3,799.99	151	5,150.00 to 5,174.99	206	6,525.00 to 6,549.99	261
2,425.00 to 2,449.99	97	3,800.00 to 3,824.99	152	5,175.00 to 5,199.99	207	6,550.00 to 6,574.99	262
2,450.00 to 2,474.99	98	3,825.00 to 3,849.99	153	5,200.00 to 5,224.99	208	6,575.00 to 6,599.99	263
2,475.00 to 2,499.99	99	3,850.00 to 3,874.99	154	5,225.00 to 5,249.99	209	6,600.00 to 6,624.99	264
2,500.00 to 2,524.99	100	3,875.00 to 3,899.99	155	5,250.00 to 5,274.99	210	6,625.00 to 6,649.99	265
2,525.00 to 2,549.99	101	3,900.00 to 3,924.99	156	5,275.00 to 5,299.99	211	6,650.00 and over	266
2,550.00 to 2,574.99	102	3,925.00 to 3,949.99	157	5,300.00 to 5,324.99	212		
2,575.00 to 2,599.99	103	3,950.00 to 3,974.99	158	5,325.00 to 5,349.99	213		