

**LRB-RESEARCH AND ANALYSIS SECTION**

**FINANCE AND PERSONNEL COMMITTEE**

**ITEM 15, FILE # 060279**

**JULY 10, 2006**

**MARK A. RAMION**

File # 060279 is a substitute resolution transferring \$160,000 from the 2006 Common Council Contingent Fund to the Unemployment Compensation Special Purpose Account; and reserving an additional \$160,000 within the 2006 Common Council Contingent Fund for the purposes of further augmenting the Unemployment Compensation Special Purpose Account.

**Background**

1. This resolution appropriates \$160,000 from the 2006 Common Council Contingent Fund to the Department of Employee Relations' (DER) Unemployment Compensation Special Purpose Account (SPA) for payment of unemployment compensation claims for the remainder of 2006.
2. This resolution further reserves an additional \$160,000 from 2006 Common Council Contingent Fund for the purposes of further augmenting the Unemployment Compensation Special Purpose Account.
3. This account is funded in order to pay unemployment compensation in accordance with federal and state law.
4. The fund level is affected by the following factors:
  - The city's *callback* and *lay-off* schedule for seasonal employees as well as the number of employees that are laid-off due to departmental reorganizations.
  - The required amount of compensation per employee as determined by the state.
  - The number of weeks that compensation must be paid as determined by the state.

**Discussion**

1. The 2006 Unemployment Compensation SPA, managed by DER, is budgeted for \$780,000. Through May 2006, this SPA has a balance of \$28,915 and is 96% expended.

2. The city reimburses the State of Wisconsin dollar for dollar in unemployment compensation claims.
3. DER reports that the Unemployment Compensation SPA is projected to expend approximately \$940,000 for 2006 or 20% over its budgeted amount. The 2006 budget for this SPA was determined by the historical average expenditures for 2004 and 2005. The number of individuals receiving unemployment compensation has increased this year. At this time, DER has not been able to determine the cause(s) for this increase.
4. Additionally, DER and the budget office reports that considerable uncertainty exists as to whether the transfer requested in this resolution will suffice for unemployment compensation for the remainder of 2006. This uncertainty is the reason that this resolution further reserves an additional \$160,000 for the 2006 Unemployment Compensation SPA.
4. The funding of the Unemployment Compensation SPA is non-discretionary.
5. File # 030149, adopted on June 3, 2003, appropriated an additional \$400,000 from the 2003 Common Council Contingent Fund for payment of unemployment compensation claims for 2003. This is the most recent instance of this SPA requiring a Contingent Fund supplement.
6. The following table reflects six-year history of the Unemployment Compensation SPA:

<b>Unemployment Compensation Special Purpose Account</b>			
<b>Year</b>	<b>Budget</b>	<b>Expenditure</b>	<b>% Budget</b>
2001	\$775,000	\$470,610	-39%
2002	\$800,000	\$1,002,547	+25%
2003	\$800,000	\$1,246,273	+55%
2004	\$1,200,000	\$721,477	-39%
2005	\$800,000	\$786,065	-1.7%
2006 (Projected)	\$780,000	\$940,000	+20%

**Fiscal Effect**

1. The total amount of this resolution is \$160,000, to be appropriated from the 2006 Common Council Contingent Fund.
2. The 2006 Common Council Contingent Fund, as of July 7, 2006, has a balance of \$4.6 million.

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