

## LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 6, FILE # 030149

MAY 30, 2003

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File # 030149 is a resolution appropriating \$400,000 from the 2003 Common Council Contingent Fund for payment of unemployment compensation claims.

### **Background**

1. This resolution appropriates \$400,000 from the 2003 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 2003.
2. This account is funded in order to pay unemployment compensation in accordance with federal and state law.
3. 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 2003 Unemployment Compensation SPA, managed by DER, is budgeted for \$800,000. Through April 2003, this SPA has a balance of \$54,565 and is 93% expended.
2. The city reimburses the State of Wisconsin dollar for dollar in unemployment compensation claims.
3. DER reports a 23% rise in unemployment compensation claims from this time in 2002 and is anticipating the depletion of this SPA upon payment of the April 2003 claims.

4. The increase in claims is due to:
  - An increase in the minimum and maximum benefit by \$5.00 per week.
  - A higher percentage of claimants eligible for the maximum benefit.
  - Higher numbers of lay-offs in late 2002 and early 2003 including 25 additional DPW-Operations employees laid-off this past winter.
  - More beneficiaries exhausting their 26-week period of eligibility.
  - Holding seasonal laborer positions vacant.
5. The funding of the Unemployment Compensation SPA is non-discretionary.
6. The following table reflects five-year historical spending:

<b>Unemployment Compensation Special Purpose Account</b>			
<b>Year</b>	<b>Budget</b>	<b>Expenditure</b>	<b>% Budget</b>
1998	\$720,000	\$733,956	+1%
1999	\$700,000	\$630,515	-9%
2000	\$775,000	\$818,004	+5%
2001	\$775,000	\$470,610	-39%
2002	\$800,000	\$1,002,547	+25%

**Fiscal Impact**

1. The total amount of this resolution is \$400,000, to be appropriated from the 2003 Common Council Contingent Fund.
2. Upon approval of this resolution, the 2003 Common Council Contingent Fund will have an unencumbered balance of \$3,896,994.

**Further Information**

Federal legislation extending the period of eligibility for unemployment compensation by 13 weeks may further increase the liability in this SPA for the remaining months of 2003.

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