

Reply to Common Council File No. 030167

From DOA-Budget and Management Division

May 22, 2003

Ref: 03009(4)

Common Council File 030167 contains a resolution appropriating \$400,000 from the 2003 Common Council Contingent Fund for payment of 2003 Unemployment Compensation claims. This transfer will increase the 2003 appropriation for Unemployment Compensation from a total of \$800,000 to a total of \$1,200,000.

The level of 2003 unemployment compensation claims is much higher than anticipated and much higher than historical levels; claims to date increased 23 percent from this time in 2002. This Special Purpose Account will be depleted once the April payment is made. Several factors are contributing to this increase in claims:

- An increase in the minimum and maximum benefit by \$5 per week.
- A higher percentage of claimants eligible for the maximum benefit, due to rising salaries.
- Higher numbers of lay-offs in late 2002 and early 2003. In particular, 25 additional DPW-Operations employees were laid-off this winter, that are not usually laid off.
- A tight job market has lead more beneficiaries to exhaust their entire 26-week period of eligibility. In previous years, claimants were more apt to find other satisfactory employment sooner.
- Beginning late in April, we will start seeing the impact of holding seasonal laborers vacant.

Many of these trends became apparent late in 2002, after the 2003 Budget had been adopted. At that time, we made a \$160,000 transfer from the 2002 Common Council Contingent Fund to cover 2002 shortfalls. The \$400,000 request at this time is a projection based on current expenditures. Federal legislation extending the period of eligibility by 13 weeks may further increase the shortage in this account for the remainder of the year.

**RECOMMENDATION: APPROVE COMMON COUNCIL FILE 030167
APPROPRIATING \$400,000 FROM THE 2003 COMMON COUNCIL
CONTINGENT FUND FOR PAYMENT OF 2003 UNEMPLOYMENT
COMPENSATION CLAIMS.**


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