

Vermont Legislative Joint Fiscal Office

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FISCAL NOTE

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S.62 (Act 51) An act relating to employee incentives, technical education, and unemployment insurance – As Passed by the General Assembly; Unemployment Insurance provisions only

<https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT051/ACT051%20As%20Enacted.pdf>

As passed the House

<https://legislature.vermont.gov/Documents/2022/Docs/BILLS/S-0062/S-0062%20House%20Proposal%20of%20Amendment%20Unofficial.pdf>

Comparison of S.10 As Passed the Senate with S.62 Unemployment Insurance provisions as Passed the House

As passed the Senate

<https://legislature.vermont.gov/Documents/2022/Docs/BILLS/S-0010/S-0010%20As%20Passed%20by%20the%20Senate%20Unofficial.pdf>

As recommended by the House Committee on Commerce and Economic Development

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Commerce/Bills/S.62/Drafts,%20Amendments,%20and%20Legal%20Documents/S.62~David%20Hall~%20Draft%203.1,%205-13-2021~5-13-2021.pdf>

Summary

Section 5 of S.62 makes changes to some provisions of the Unemployment Insurance (UI) program. S.10 as passed the Senate is quite different from the UI provisions in S.62 as passed the House. Some changes in the House and Senate versions of the bills affect payments received by UI recipients or contributions paid by employers and will change the trajectory of the UI Trust Fund.

This Fiscal Note shows the effects on the UI Trust Fund stemming from the Senate and House versions. As passed the Senate, employer contributions to the UI Trust Fund would be somewhat reduced initially but then higher relative to current statute, and benefits to recipients with dependents would be somewhat higher for five years. The ending balance in the UI Trust Fund in 2031 is projected to be about \$1 billion.

In S.62 as passed by the House, employer contributions would be noticeably lower than under current statute, and benefits to recipients would be a bit higher. The ending balance in the UI Trust Fund in 2031 is projected to be about \$567 million (rough estimate by JFO).

S.10 As Passed the Senate

Provisions of S.10 as passed the Senate that affect the trajectory of the UI Trust Fund are as follows:

- Section 5 establishes a Dependent Benefit for five years, paying \$50 per week to a recipient of Unemployment Insurance who has one or more dependents under 18 years of age.
 - The cost estimate of the Dependent Benefit by the Joint Fiscal Office (JFO) is about \$38 million over five years.
- Section 7 provides relief for UI contributions from employers in FY 2022, maintaining the tax rate schedule for FY 2022 at Schedule I as in FY 2021.
- Section 9 provides additional relief for employer contributions by keeping the same taxable wage base in CY 2022 as in CY 2021.
 - JFO estimates the effect on the UI Trust Fund from those two relief provisions to be about \$80 million in FY 2022; that estimate would be more precise if estimated by the Vermont Department of Labor. The shortfall in employer contributions of \$80 million would have to be made up in future years without further action.
- Section 8 requires the Commissioner of Labor to reduce contributions from employers to the UI Trust Fund by \$66.5 million over the next ten years to undo most of the deferred employer contributions in FY 2022.

The Vermont Department of Labor (VDOL) did not estimate the exact trajectory of the UI Trust Fund based on the provisions in S.10 as passed by the Senate. JFO produced a rough estimate of the UI Trust Fund through 2031 by starting with the VDOL testimony to the Senate Economic Development Committee from March 24, 2021 and modifying it as follows:

- Add the calendar year cost of the dependent benefit to the Benefits amount for calendar years 2021 through 2026.
- Add the cost of the dependent benefit from the previous calendar year to the Contributions amount so that the UI Trust Fund Balance is approximately unchanged from the VDOL estimates.
- Subtract one-fifth of \$66.5 million from Contributions in calendar years 2027 through 2031, thereby reducing the Balance in the Trust Fund by \$66.5 million in 2031.
- JFO's rough estimate does not account for differences in interest accumulated on the changes made by JFO.
- In 2031, the Balance of the UI Trust Fund is about \$1 billion (see Table 1).

Table 1. UI Trust Fund under S.10 as Passed the Senate;
Roughly estimated by JFO based on VDOL testimony on March 24, 2021

	UI TF Balance (a)		Benefits (b)		Contributions (c)		Tax Rate Sched (d)		Taxable Wage Base (e)	
	Base	~Senate	Base	~Senate	Base	~Senate	Base	~Senate	Base	~Senate
2020	\$ 241.7	\$ 241.7	\$ 387.4	\$ 387.4	\$ 117.3	\$ 117.3	I	I	\$ 16,100.0	\$ 16,100.0
2021	\$ 234.8	\$ 196.5	\$ 158.3	\$ 163.5	\$ 146.6	\$ 108.3	V	I	\$ 14,100.0	\$ 14,100.0
2022	\$ 305.1	\$ 210.2	\$ 118.8	\$ 130.4	\$ 183.3	\$ 131.9	V	III	\$ 14,600.0	\$ 14,100.0
2023	\$ 420.0	\$ 292.9	\$ 83.1	\$ 90.9	\$ 190.6	\$ 170.0	V	V	\$ 15,100.0	\$ 14,600.0
2024	\$ 536.0	\$ 421.1	\$ 74.8	\$ 80.7	\$ 181.1	\$ 201.0	IV	V	\$ 15,600.0	\$ 15,100.0
2025	\$ 643.4	\$ 543.9	\$ 75.6	\$ 80.9	\$ 172.0	\$ 193.3	IV	IV	\$ 16,100.0	\$ 15,600.0
2026	\$ 743.0	\$ 658.1	\$ 76.3	\$ 78.9	\$ 163.4	\$ 183.4	III	IV	\$ 16,700.0	\$ 16,100.0
2027	\$ 826.0	\$ 750.7	\$ 77.1	\$ 77.1	\$ 148.9	\$ 158.5	III	III	\$ 14,700.0	\$ 16,700.0
2028	\$ 902.2	\$ 825.3	\$ 77.9	\$ 77.9	\$ 138.9	\$ 137.4	III	III	\$ 15,200.0	\$ 14,700.0
2029	\$ 972.1	\$ 893.1	\$ 78.6	\$ 78.6	\$ 132.0	\$ 129.9	III	III	\$ 15,700.0	\$ 15,200.0
2030	\$ 1,035.8	\$ 954.2	\$ 79.4	\$ 79.4	\$ 125.4	\$ 122.7	I	III	\$ 16,200.0	\$ 15,700.0
2031	\$ 1,084.3	\$ 1,008.5	\$ 80.2	\$ 80.2	\$ 110.1	\$ 115.9	I	I	\$ 14,200.0	\$ 16,200.0

Definitions

"Base" - refers to Baseline forecast presented in 2021 VDOL Annual Report of the UI Trust Fund dated 1/31/21

"~Senate" - refers to provisions as passed the Senate roughly estimated by JFO based on VDOL testimony in Senate Economic Development on March 24, 2021

Notes

- (a) in millions of dollars as of the end of the year; includes interest
- (b) in millions of dollars; does not include benefits paid by federal USDOL
- (c) in millions of dollars
- (d) annual determination effective in July
- (e) annual determination effective in January

S.62 As Passed the House

The provisions that affect the UI Trust Fund in S.62, Draft No. 3.1 as recommended by the House Committee on Commerce and Economic Development are as follows:

- The dependent benefit was removed from the bill, as was the freezing of the tax rate schedule and taxable wage base in FY 22. The requirement to reduce employer contributions by \$66.5 million by 2031 was dropped as well.
- Section 11 adds a \$25 supplemental weekly benefit for every UI recipient; the extra benefit would begin 30 days after the termination date for Federal Pandemic Unemployment Compensation. It sunsets after \$100 million has been expended.
- JFO projections based on no economic recessions in the next 10 years suggest that the \$25 weekly benefit would add about \$63 million to benefits over the next 10 years (roughly estimated).

S.62, Draft No. 1.1 as recommended by the House Committee on Ways and Means adds this:

- Section 9a removes consideration of benefit payments made in calendar year 2020 when computing the tax rate schedule to become effective on July 2021 and the following nine years.
 - Under current statute, benefit payments in 2020 would dictate a relatively high employer contribution rate, leading to the balance in the UI Trust Fund reaching more than \$1 billion by 2031. Removing the benefit payments in 2020 from the calculation reduces that 2031 balance by about one-third.

Table 2. UI Trust Fund under S.62 as Recommended by the House Committees on Commerce and Ways and Means

	UI TF Balance (a)			Benefits (b)			Contributions (c)			Tax Rate Sched (d)			Taxable Wage Base (e)		
	Base	Ign2020	\$25/wk	Base	Ign2020	\$25/wk	Base	Ign2020	\$25/wk*	Base	Ign2020	\$25/wk*	Base	Ign2020	\$25/wk*
2020	\$ 241.7	\$ 241.7	\$ 241.7	\$ 387.4	\$ 387.4	\$ 387.4	\$ 117.3	\$ 117.3	\$117.30	I	I	I	\$16,100.0	\$ 16,100.0	\$ 16,100.0
2021	\$ 234.8	\$ 219.3	\$ 216.6	\$ 158.3	\$ 158.3	\$ 160.9	\$ 146.6	\$ 131.4	\$131.40	V	III	III	\$14,100.0	\$ 14,100.0	\$ 14,100.0
2022	\$ 305.1	\$ 264.7	\$ 251.1	\$ 118.8	\$ 118.8	\$ 128.4	\$ 183.3	\$ 159.0	\$159.00	V	IV	IV	\$14,600.0	\$ 14,600.0	\$ 14,600.0
2023	\$ 420.0	\$ 336.1	\$ 313.6	\$ 83.1	\$ 83.1	\$ 89.8	\$ 190.6	\$ 147.8	\$147.80	V	III	III	\$15,100.0	\$ 15,100.0	\$ 15,100.0
2024	\$ 536.0	\$ 396.6	\$ 365.4	\$ 74.8	\$ 74.8	\$ 80.9	\$ 181.1	\$ 127.0	\$ 127.0	IV	II	II	\$15,600.0	\$ 13,100.0	\$ 13,100.0
2025	\$ 643.4	\$ 444.1	\$ 404.7	\$ 75.6	\$ 75.6	\$ 81.5	\$ 172.0	\$ 114.3	\$ 114.3	IV	I	I	\$16,100.0	\$ 13,600.0	\$ 13,600.0
2026	\$ 743.0	\$ 473.3	\$ 426.3	\$ 76.3	\$ 76.3	\$ 82.0	\$ 163.4	\$ 96.2	\$ 96.2	III	I	I	\$16,700.0	\$ 11,600.0	\$ 11,600.0
2027	\$ 826.0	\$ 504.4	\$ 449.9	\$ 77.1	\$ 77.1	\$ 82.6	\$ 146.3	\$ 98.6	\$ 98.6	III	I	I	\$14,700.0	\$ 12,000.0	\$ 12,000.0
2028	\$ 902.2	\$ 538.2	\$ 475.8	\$ 77.9	\$ 77.9	\$ 83.3	\$ 138.9	\$ 101.0	\$ 101.0	III	I	I	\$15,200.0	\$ 12,400.0	\$ 12,400.0
2029	\$ 972.1	\$ 574.7	\$ 504.0	\$ 78.6	\$ 78.6	\$ 84.0	\$ 132.0	\$ 103.6	\$ 103.6	III	I	I	\$15,700.0	\$ 12,800.0	\$ 12,800.0
2030	\$ 1,035.8	\$ 613.9	\$ 534.4	\$ 79.4	\$ 79.4	\$ 84.7	\$ 125.4	\$ 106.1	\$ 106.1	I	I	I	\$16,200.0	\$ 13,200.0	\$ 13,200.0
2031	\$ 1,084.3	\$ 655.5	\$ 567.3	\$ 80.2	\$ 80.2	\$ 85.5	\$ 110.1	\$ 108.8	\$ 108.8	I	I	I	\$14,200.0	\$ 13,700.0	\$ 13,700.0

* No change from Ign2020
Sources: Ign2020 comes from VDOL testimony to House Committee on Commerce on April 23, 2021; \$25/wk roughly estimated by JFO

Definitions

"Base" refers to Baseline forecast presented in 2021 VDOL Annual Report of the UI Trust Fund dated 1/31/21

"Ign2020" refers to ignoring 2020 in the annual Tax Rate Schedule calculation

"\$25/wk" refers to a supplemental benefit of \$25 per week for every UI recipient

Notes

- (a) in millions of dollars as of the end of the year; includes interest
- (b) in millions of dollars; does not include benefits paid by federal USDOL
- (c) in millions of dollars
- (d) annual determination effective in July
- (e) annual determination effective in January

S.62, Draft No. 3.1 as recommended by the House Committee on Appropriations defined two studies regarding the UI system:

- The State Auditor, in consultation with the Joint Fiscal Office, will contract with an independent consulting entity to study the detection and prevention of fraud and overpayments, processing of claims, and preparing for modernizing Vermont’s UI information technology systems during the next several years.
 - The cost of the consultant is covered in the Legislature’s budget.
 - The report is due on or before December 15, 2021.

- A new committee, the Unemployment Insurance Study Committee, is created to examine the solvency of Vermont's UI Trust Fund, UI benefit structure, possibly reducing or waiving certain penalties, and possibly mitigating the liability of reimbursable employers for some benefit charges.
 - The Committee is composed of four members of the Legislature.
 - The cost of per diems is covered in the Legislature's budget.
 - The report is due on or before December 15, 2021.