

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **H.742 An act relating to grants for emergency medical personnel training As Passed by the House and Senate**

<https://legislature.vermont.gov/Documents/2020/Docs/BILLS/H-0742/H-0742%20Senate%20Proposal%20of%20Amendment%20Unofficial.pdf>, Sections 30-34

Summary of Sections 30-34 regarding changes to the unemployment laws to address the COVID-19 outbreak

The bill changes some of the program rules for unemployment insurance when an employee's absence from work is related to the coronavirus, also known as COVID-19. Changes include, but are not limited to, the following:

- Prohibits changing the experience rating of employers for the unemployment insurance program for unemployment insurance claims related to COVID-19,
- Expands the circumstances under which individuals are eligible for unemployment insurance to include self-quarantine or family care or care for a child whose school is closed because of COVID-19,

Most provisions of the bill will sunset on March 31, 2021.

#### Fiscal Impacts

*Note that most of the expansions of unemployment benefits in this bill are covered by the federal bill known as the Coronavirus Aid, Relief, and Economic Security or CARES Act, passed by the U.S. Senate on March 25, 2020. Any further changes to the Act could affect the fiscal impacts on the Vermont Unemployment Insurance trust fund and, indirectly, the General Fund. Those fiscal impacts cannot be determined with any certainty as of now.*

According to the Unemployment Insurance (UI) Trust Fund Report from the Vermont Department of Labor released on January 20, 2020, the UI Trust Fund at the end of December 2019 had a balance of more than \$520 million dollars and is fairly well funded at this point. The bill will use some of that funding and will have an effect on the balance, but we do not have modeling to show the expected impact on the Fund.<sup>1</sup> UI benefits paid out will rise, and taxes paid

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<sup>1</sup> According to the Unemployment Insurance Trust Fund Report, under a simulated "typical recession" in 2021 with about 6% unemployment, the balance was projected to fall to about \$335 million. The sudden drop in economic activity in the state associated with COVID-19 and the expansion of eligibility for UI benefits associated with this

to the Trust Fund will fall for two reasons: more workers covered by unemployment insurance will be eligible to draw UI benefits related to COVID-19 and experience ratings won't change tax rates for unemployment related to COVID-19. Both the short-term effect and the duration are unknown, and it is important to use modeling to see the expected effect.<sup>2</sup>

In addition, as with any major expansion of a program, there may be woodwork effects. Indirect effects on the General Fund will likely occur to the extent that income tax revenues fall as more people claim UI benefits because they become eligible for benefits related to COVID-19 under this bill. The size of those effects could be larger than normal because of the nature of the pandemic. For example, some additional people will follow a recommendation to stay at home for medical reasons, some will decide to self-quarantine, others will not work to take care of a family member, and some will stay home with very young or school-aged children rather than hire a caretaker because of the UI benefits newly available in the bill. Income tax withholding will not take place for those additional workers who claim UI benefits related to COVID-19, suggesting that GF revenues will fall more than in the absence of the bill.<sup>3</sup> A small part of that loss will be offset because UI benefits are fully taxable in Vermont, but those tax revenues will be delayed relative to income tax withholding. The impact on the GF will be the difference between income tax on full pay and on UI benefits.

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bill and the CARES Act may test the cashflow or solvency of the Trust Fund. The CARES Act does provide substantial federal aid to help pay additional benefits.

<sup>2</sup> The CARES Act and the previous federal stimulus package include federal money to help with UI administrative expenses.

<sup>3</sup> Unrelated to this bill, the State of Vermont and the Vermont State Employees Association went through a collective bargaining process and agreed that state employees would be eligible for COVID-19 leave independent of their accrued sick leave or annual leave. That agreement will cost a small but undetermined amount in leave benefits and possibly in hiring temporary workers to perform the jobs of workers who are not on the job.