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T E S T I M O N Y

To: House Committee on Commerce and Economic Development
From: Vermont Department of Labor
Date: April 23, 2021
Subject: S.10 Recommended Changes and UI Trust Fund Forecast

The information below summarizes the Department's position and recommendations with regards to the final Senate version of S.10. Originally, S.10 was designed to extend the provision of Act 91 (2020), which was a COVID-response bill that included unemployment insurance provisions that expanded eligibility for claimants and included charge relief for employers; however, through the legislative process on the senate-side, the Bill was expanded to include a number of other provisions.

Section 1: Employer Experience Ratings

- Allows for Commissioner to waive benefit charges for an 8-week period between March 15, 2020 and December 31, 2020 or for a greater number of weeks (at the determination of the Commissioner) within the identified time period.
- **Department's Position:** Requests to extend relief to cover all of 2020, not just March 15 – December 31, 2020. This would allow the Department to apply charge relief universally to all claims paid in the 2020 calendar year. There currently is not the ability to separate out specific claims that occurred prior to March 15th and it is likely that many of those early claims became COVID claims later on.

Section 2: Experience Rate Relief for CY21

- Allows for employers to be relieved of charges in 2021 if the employer can demonstrate the layoff was COVID related through an application process determined by VDOL. VDOL must submit procedures and sample application form to House Commerce/Senate Economic Development
- **Department's Position:** No critical changes. Requests to remove the requirement to provide the committees of jurisdiction with a copy of the application and written procedures.

Section 3: Sunset Dates

- Extends Act 91 expanded eligibility provisions until the first calendar quarter following the end of the Governor's State of Emergency. If the State of Emergency ends within 30 days of the next calendar quarter, the sunset date will be moved to the start of the following quarter.
- **Department's Position:** No changes recommended.

Section 4: Temporary Suspension of Certain Requirements for Triggering an Extended Benefit Period

- Waives the 14-week waiting period to trigger back onto EB from November 1, 2020 until December 31, 2021. This ensures Vermont's statute aligns with federal options for expanded eligibility.
- **Department's Position:** No changes recommended.



Section 5: Weekly Benefits (Dependent Benefit)

- Creates dependency benefit for claimants who have one or more dependent at \$50 per week, per claimant (regardless of the number of dependents). Dependency benefit begins after FPUC (federal \$300) ends in September and will sunset after 5 years. Will not apply from July 1, 2022 through June 30, 2023 if UITF balance is \$90MM or projected to drop below that amount before December 31, 2022.
- **Department's Position:** The Department strongly opposes this section of the Bill. As previously testified, the Department does not have the capacity at this time to add an additional benefit that adheres to both state and federal requirements that would allow the benefit to be paid for out of the UI Trust Fund. Additionally, this new benefit would need to be managed outside of the existing UI mainframe, which would necessitate the creation of an entirely separate benefit system and the hiring of additional staff to administer the separate weekly benefit. This Bill does not identify a funding mechanism to pay for the implementation of the new system, nor does it account for ongoing maintenance, operation, and administration costs for this program; all of which, would be additional expenses that are currently not available under existing funding.

Section 6: Weekly benefit calculation

- The Senate version of this section includes no changes to existing statute.
- **Department's Position:** No changes recommended.

Section 7: UI Rate Schedule for Benefit Year Beginning July 1, 2021

- Freezes UI TF schedule at Schedule 1 for an additional year (July 2021 – June 2022) and will not apply if the UI Trust Fund balance is either below \$90MM as of April 15, 2021 or projected to drop below that amount on or before December 31, 2021.
- **Department's Position:** Requests the addition of language to prevent the tax schedule from moving upward more than two schedules in a 12-month period (Administration's policy proposal).

Section 8: Avoidance of Long-Term Impacts on Employers

- Requires VDOL to reduce the amount of UI contributions made by a total of \$66.5MM over a period of 10 years (July 1, 2022 – June 30, 2031). Reduction for employers must be distributed proportionality across each year and among all employers.
- **Department's Position:** The Department does not support this section and believes there are more immediate changes that can be made to help lessen the burden as soon as possible and mitigate the burden in the "out years." For example, adjusting the trust fund solvency calculation (e.g., removing 2020 from calculation) would achieve this same goal. The Department recommends removing this provision from the bill.

Section 9: UI Base of Contributions

- Freezes taxable wage base at \$14,100 for an additional year (Jan 2022 – Dec 2022). Will not apply if on October 15, 2021 the UITF balance is either below \$90MM or projected to drop below that amount on or before December 31, 2021.
- **Department's Position:** No changes recommended.

Section 10: Revised UI TF Target Balance; Report

- Commissioner shall conduct review of the solvency of the UI Trust Fund and recommend statutory changes to the House Commerce and Senate Economic Development Committee as part of the annual Trust Fund Report. The report should include consultation with employer representatives, employees, economists, etc. and is due on or before November 15, 2021.
- **Department's Position:** No changes recommended.



Section 11: Unemployment Insurance; Fraud; Overpayments; Detection; Prevention; Report

- Report due on or before November 15, 2021 to the Senate Economic Development and House Commerce Committee's regarding the detection and prevention of UI fraud and the reduction and recovery of overpaid UI benefits.
- **Department's Position:** No changes recommended.

Section 12: Misclassification Report

- Date amended to have report due November 15, 2021.
- **Department's Position:** No changes recommended.

Section 13: Employee Misclassification Taskforce

- Date amended to have report due November 15, 2021.
- **Department's Position:** No changes recommended.

Section 14: Effective Dates

- Dependent benefit effective date: After the cessation of FPUC, would begin the benefit week ending September 11, 2021 and sunsets after five years in 2026.
- Dependent benefit trigger: if UI TF balance is below \$90MM on April 15, 2021 or set to drop to that level on December 31, 2021, the benefit will not go into effect.
- All other sections take effect on passage, Act 91 eligibility extensions are retroactive to March 31, 2021.
- **Department's Position:** No changes recommended.



SUPPORTING DATA FOR CONSIDERATION

UI TF Balance Needed for Tax Rate Schedule Under Varying Calculations*

Apr-2021

Tax Rate Schedule	Current Calculation	What if we ignore 2020?	
		For CY2021 Only (based on 2011) [^]	CY2022 Forward (based on 2021) [^]
I	> \$968.5M	> \$302.5M	> \$395.9M
II	\$774.8M < \$968.5M	\$242.0M < \$302.5M	\$316.7M < \$395.9M
III	\$581.1M < \$774.8M	\$181.5M < \$242.0M	\$237.5M < \$316.7M
IV	\$387.4M < \$581.1M	\$121.0M < \$181.5M	\$158.3M < \$237.5M
V	< \$387.4M	< \$121.0M	< \$158.3M

Notes:

* in 2020 dollars; estimates for discussion purpose only; actual calculation requires future total annual taxable wage base amounts which is not available.

[^] Years in parentheses represent the reference year the calculation is based on.



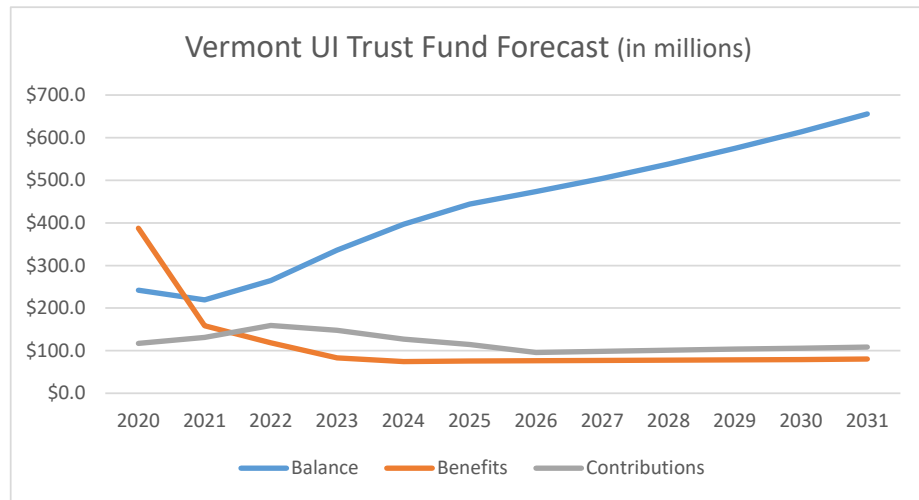
Unemployment Insurance Trust Fund Forecast - 2020-2031 Apr-2021

Proposed Change - Ignore 2020 from Annual Tax Rate Schedule Calculation

Year	UI TF Balance	CLAIMANTS		EMPLOYERS		
		Benefits Paid	Maximum Weekly Benefit	Contributions	Tax Rate Schedule	Taxable Wage Base
	[a]	[b]	[c]	[d]	[e]	[f]
2020	\$241.7	\$387.4	\$531	\$117.3	I	\$16,100
2021	\$219.3	\$158.3	\$550	\$131.4	III	\$14,100
2022	\$264.7	\$118.8	\$569	\$159.0	IV	\$14,600
2023	\$336.1	\$83.1	\$589	\$147.8	III	\$15,100
2024	\$396.6	\$74.8	\$610	\$127.0	II	\$13,100
2025	\$444.1	\$75.6	\$631	\$114.3	I	\$13,600
2026	\$473.3	\$76.3	\$653	\$96.2	I	\$11,600
2027	\$504.4	\$77.1	\$676	\$98.6	I	\$12,000
2028	\$538.2	\$77.9	\$700	\$101.0	I	\$12,400
2029	\$574.7	\$78.6	\$725	\$103.6	I	\$12,800
2030	\$613.9	\$79.4	\$750	\$106.1	I	\$13,200
2031	\$655.5	\$80.2	\$776	\$108.8	I	\$13,700

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] amount adjusted every July
- [d] in millions of dollars
- [e] annual determination effective in July
- [f] annual determination effective in January



** This is a corrected version of the UI TF reports initially submitted on April 22. Please reference this report which includes updated information.*



CORRECTED - Unemployment Insurance (UI) Trust Fund (TF) - Comparison of Three Forecasts

Apr-2021

Year	UI TF Balance [a]			Benefits [b]			Contributions [c]			Tax Rate Sch. [d]			Taxable Wage Base [e]		
	Base	Admin.	Ign2020	Base	Admin.	Ign2020	Base	Admin.	Ign2020	Base	Admin.	Ign2020	Base	Admin.	Ign2020
2020	\$241.7	\$241.7	\$241.7	\$387.4	\$387.4	\$387.4	\$117.3	\$117.3	\$117.3	I	I	I	\$16,100	\$16,100	\$16,100
2021	\$234.8	\$196.5	\$219.3	\$158.3	\$158.3	\$158.3	\$146.6	\$108.3	\$131.4	V	I	III	\$14,100	\$14,100	\$14,100
2022	\$305.1	\$210.2	\$264.7	\$118.8	\$118.8	\$118.8	\$183.3	\$126.7	\$159.0	V	III	IV	\$14,600	\$14,100	\$14,600
2023	\$420.0	\$292.9	\$336.1	\$83.1	\$83.1	\$83.1	\$190.6	\$158.4	\$147.8	V	V	III	\$15,100	\$14,600	\$15,100
2024	\$536.0	\$421.1	\$396.6	\$74.8	\$74.8	\$74.8	\$181.1	\$193.2	\$127.0	IV	V	II	\$15,600	\$15,100	\$13,100
2025	\$643.4	\$543.9	\$444.1	\$75.6	\$75.6	\$75.6	\$172.0	\$187.4	\$114.3	IV	IV	I	\$16,100	\$15,600	\$13,600
2026	\$743.0	\$658.1	\$473.3	\$76.3	\$76.3	\$76.3	\$163.4	\$178.1	\$96.2	III	IV	I	\$16,700	\$16,100	\$11,600
2027	\$826.0	\$764.0	\$504.4	\$77.1	\$77.1	\$77.1	\$146.3	\$169.2	\$98.6	III	III	I	\$14,700	\$16,700	\$12,000
2028	\$902.2	\$851.9	\$538.2	\$77.9	\$77.9	\$77.9	\$138.9	\$150.7	\$101.0	II	III	I	\$15,200	\$14,700	\$12,400
2029	\$972.1	\$933.0	\$574.7	\$78.6	\$78.6	\$78.6	\$132.0	\$143.2	\$103.6	II	II	I	\$15,700	\$15,200	\$12,800
2030	\$1,035.8	\$1,007.4	\$613.9	\$79.4	\$79.4	\$79.4	\$125.4	\$136.0	\$106.1	I	II	I	\$16,200	\$15,700	\$13,200
2031	\$1,084.3	\$1,075.0	\$655.5	\$80.2	\$80.2	\$80.2	\$110.1	\$129.2	\$108.8	I	I	I	\$14,200	\$16,200	\$13,700

Definitions

"Base" - refers to Baseline forecast presented in 2021 annual report of the UITF dated 1/31/21

"Admin." - refers to Administration's proposal to freeze sch I, limit 2 sch increase and freeze at TWB \$14.1k; see 2/12/21 submitted testimony for more detail

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

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

* This is a corrected version of the UI TF reports initially submitted on April 20. Please reference this report which includes updated information.

