

# Vermont Legislative Joint Fiscal Office

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## *FISCAL NOTE*

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### **S.10 An act relating to extending certain unemployment insurance provisions related to COVID-19 – House Commerce and Economic Development Recommendation of Amendment – Draft 4.1**

<https://legislature.vermont.gov/Documents/2022/WorkGroups/House%20Commerce/Bills/S.10/Drafts,%20Amendments%20and%20Legal%20Documents/S.10~Damien%20Leonard~%20As%20Recommended%20by%20House%20Commerce%20and%20Economic%20Development,%20Draft%204.1,%205-4-2021~5-5-2021.pdf>

Comparison with S.10 as passed the Senate

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

#### **Summary**

S.10 makes changes to several provisions of the Unemployment Insurance (UI) program. S.10 as passed by the Senate is quite different from S.10 as recommended by the House Committee on Commerce and Economic Development. Some of the changes in the two versions of the bill will noticeably affect payments received by UI recipients or contributions paid by employers and will thereby change the trajectory of the UI Trust Fund.

This Fiscal Note shows the effects on the UI Trust Fund stemming from each version of the bill. As passed by 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.

As recommended by the House Commerce Committee, employer contributions would be noticeably lower than under current statute, and benefits to recipients would be the same. The ending balance in the UI Trust Fund in 2031 is projected to be about \$655 million.

#### **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 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

**As Recommended by the House Committee on Commerce and Economic Development**

The provisions that affect the UI Trust Fund in S.10, Draft No. 4.1 as recommended by the House Committee on Commerce and Economic Development are somewhat different.

- Section 7 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.
- 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.
- In 2031, the balance of the UI Trust Fund is about \$655 million (see Table 2).

**Table 2. UI Trust Fund under S.10 as Recommended by House Commerce;**  
VDOL Testimony to House Committee on Commerce on April 23, 2021

	UI TF Balance (a)		Benefits (b)		Contributions (c)		Tax Rate Sched (d)		Taxable Wage Base (e)	
	Base	Ign2020	Base	Ign2020	Base	Ign2020	Base	Ign2020	Base	Ign2020
2020	\$ 241.7	\$ 241.7	\$ 387.4	\$ 387.4	\$ 117.3	\$ 117.3	I	I	\$ 16,100.0	\$ 16,100.0
2021	\$ 234.8	\$ 219.3	\$ 158.3	\$ 158.3	\$ 146.6	\$ 131.4	V	III	\$ 14,100.0	\$ 14,100.0
2022	\$ 305.1	\$ 264.7	\$ 118.8	\$ 118.8	\$ 183.3	\$ 159.0	V	IV	\$ 14,600.0	\$ 14,600.0
2023	\$ 420.0	\$ 336.1	\$ 83.1	\$ 83.1	\$ 190.6	\$ 147.8	V	III	\$ 15,100.0	\$ 15,100.0
2024	\$ 536.0	\$ 396.6	\$ 74.8	\$ 74.8	\$ 181.1	\$ 127.0	IV	II	\$ 15,600.0	\$ 13,100.0
2025	\$ 643.4	\$ 444.1	\$ 75.6	\$ 75.6	\$ 172.0	\$ 114.3	IV	I	\$ 16,100.0	\$ 13,600.0
2026	\$ 743.0	\$ 473.3	\$ 76.3	\$ 76.3	\$ 163.4	\$ 96.2	III	I	\$ 16,700.0	\$ 11,600.0
2027	\$ 826.0	\$ 504.4	\$ 77.1	\$ 77.1	\$ 146.3	\$ 98.6	III	I	\$ 14,700.0	\$ 12,000.0
2028	\$ 902.2	\$ 538.2	\$ 77.9	\$ 77.9	\$ 138.9	\$ 101.0	III	I	\$ 15,200.0	\$ 12,400.0
2029	\$ 972.1	\$ 574.7	\$ 78.6	\$ 78.6	\$ 132.0	\$ 103.6	III	I	\$ 15,700.0	\$ 12,800.0
2030	\$ 1,035.8	\$ 613.9	\$ 79.4	\$ 79.4	\$ 125.4	\$ 106.1	I	I	\$ 16,200.0	\$ 13,200.0
2031	\$ 1,084.3	\$ 655.5	\$ 80.2	\$ 80.2	\$ 110.1	\$ 108.8	I	I	\$ 14,200.0	\$ 13,700.0

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

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