

State of Vermont
Department of Labor
Office of the Commissioner
 5 Green Mountain Drive
 P.O. Box 488
 Montpelier, VT 05601
 labor.vermont.gov

[telephone] 802-828-4301
 [fax] 802-828-4181

M E M O R A N D U M

To: The Honorable Phil Scott, Governor via The Secretary of Administration
Cc: Adam Greshin, Finance and Management Commissioner
From: Michael Harrington, Commissioner of Labor
Date: October 7, 2021
Subject: Request for inclusion in the FY22 Budget Adjustment Act for UI Administration

This memo is based on numerous conversations with both Finance and Management and Deputy Chief of Staff Wilson. Finance and Management has also been provided additional detail with regards to the Unemployment Insurance program's financials, and at this time the Department of Labor is requesting an additional **\$18,700,000** through the Budget Adjustment Act process.

The Vermont Unemployment Insurance program is currently operating at a rate that far exceeds its federal funding allocation, and while claims have tapered off, modeling shows there will be a period of high claims volume that persists for the next 12-18 months. Claims volume is not the only aspect of the program that contributes to the expense of the program. Within the Unemployment Insurance program, there are numerous operational efforts involving claimant benefit, employer taxes and contributions, program integrity and fraud, and federal compliance and reporting. Additionally, the program has seen an increase in the cost to run the program due to implementation of expanded technological solutions such as electronic claims filing, ID verification, and the relocation of the core system to a new mainframe service, as well as the contracting of call center support. Each of these services and efforts come with reoccurring costs that were not part of the program's pre-COVID budget.

Finally, the U.S. Department of Labor does not reimburse dollar-for-dollar for federal program administrative costs, and instead uses a formulaic approach to provide administrative funding to the states. This funding model is applied to all 53 states and territories, and has led to the chronic underfunding of UI programs across the country. Below is a synopsis of the projected costs and contributing factors for the current state fiscal year.

VT LABOR FY 2022 BAA	FY22 Q1 (Jul-Sep)	FY22 Q2 (Oct-Dec)	FY22 Q3 (Jan-Mar)	FY22 Q4 (Apr-Jun)	Total
<i>VDOL UI Staff & Indirect Costs</i>	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$9,500,000
<i>Overhead/Incidentals</i>	\$750,000	\$750,000	\$750,000	\$750,000	\$3,000,000
<i>ADS Demand Staff</i>	\$350,000	\$350,000	\$350,000	\$350,000	\$1,400,000
<i>Technology Systems/Services</i>	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$4,000,000
<i>VDOL Modernization Effort (Business)</i>	\$75,000	\$75,000	\$75,000	\$75,000	\$300,000
<i>Vendor Call Ctr (50-100 FTE)</i>	\$2,700,000	\$2,200,000	\$1,800,000	\$1,000,000	\$6,700,000
<i>Vendor Adjud./Appeals Support</i>	\$650,000	\$400,000	\$350,000	\$300,000	\$1,700,000
<i>Subtotal</i>	\$8,525,000	\$7,775,000	\$7,325,000	\$6,475,000	\$26,600,000
<i>Less Anticipated Federal Funding</i>					(\$7,900,000)
TOTAL FY22 BAA REQUEST					\$18,700,000

