

H.159: Fiscal Background Information

House Commerce Committee

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JFO

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Outline

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Overview of appropriations

Table 1. Summary of Appropriations

Section	Program	Appropriation Amount	Source	Fiscal Year
2	New Relocating Employee Incentives	\$6,000,000	General Fund	2023
3	Think Vermont Regional Recruitment and Relocation Network	\$4,200,000	General Fund	2023
14a	COVID-19-Related Paid Leave Grant Program	\$16,500,000	ARPA SFR	2023
14c	Paid Family and Medical Leave; Task Force; Report	\$200,000	ARPA SFR	2023
14d-j	Unemployment Insurance Supplemental Benefits	\$8,000,000	ARPA SFR	2023
15	VEDA Short-Term Forgivable Loan Program	\$15,000,000	ARPA SFR	2022
15	Creative Economy Grants	\$5,000,000	ARPA SFR	2022
Total Appropriations		\$54,900,000		
Total General Fund Appropriations		\$10,200,000		
Total ARPA SFR Appropriations		\$44,700,000		



Part 2: Estimate of the cost of reimbursing Covid-19-related sick time

Brief description



Vermont Covid-19-Related Paid Sick Time Grant Program (Sec 14a)

- During calendar year 2022, grants to employers for the cost of providing employees with Covid-19-related sick time, either paid or unpaid
 - Maximum hours per employee: 80 or 2 times average weekly hours
 - Maximum hourly reimbursement: \$27.50, or the greater of 67 percent of the minimum wage and 67 percent of the normal hourly wage
 - Maximum reimbursement per employee: \$2,200
 - Five percent of appropriation may be used for AoA admin/outreach
- JFO's preliminary estimate of benefits: \$15.7 million



Covid-19 cases have been more prevalent among lower paid workers

- Lower-paid workers less likely to work from home, perhaps more care-giving responsibilities
- If maximum reimbursement is \$27.50 per hour and 67 percent of the hourly wage is reimbursed, reimburse hourly wage up to \$41.25
- Look at distribution of wages in Vermont in the Occupational Employment and Wage Survey, May 2020; adjust for wage inflation
- Use \$16.00 as the average hourly reimbursement

Cases	Share use reimb.	Hours reimb.	Reimb. per hour	Ballpark est.
CY 2022			67%, max \$27.50	
62,085	0.45	35	\$16.00	\$15.7 mil



\$16.5 million including 5% admin/outreach

- Based on
 - 62,085 cases in CY 2022 (46,000 in January and February)
 - 45% of cases reimbursed for 35 hours
 - Average wage rate that is reimbursed is \$16.00/hour
- Another rise in Covid-19 cases would cause the estimated cost of the program to jump sharply



Part 3: Comments on Unemployment Insurance Supplemental Benefits

Brief description



JFO estimate of 2-year cost: \$8.0 million, perhaps a bit low

- Extra benefit of \$25 per week to each recipient of UI benefits beginning July 1, 2022
 - Appropriation is intended to cover two years, ending June 30, 2024
 - Modernization of mainframe unlikely finished by then
 - JFO assumed 3,000 UI payments would be made per week, on average, or 156,000 payments per year (like 2019)
 - Average number of payments Sept 2021 – Apr 9, 2022: 2,783
 - Increased uncertainty ahead: war in Ukraine, inflation
 - Five percent of \$8.0 million was designated for admin costs as a placeholder: \$400,000 over two years
- Yesterday, VDOL suggested cost of the program would be higher
 - Higher cost of supplemental benefits based on claims filed (not payments made) in 2018
 - Hence \$5.5 million for benefits per year
 - VDOL higher administrative costs should be heeded
 - Perhaps \$500,000 per year



Part 4: Effects if the minimum wage reaches \$15 in 2024

Brief description



Minimum Wage Increases in law and proposed, Adjusted for Inflation

		Proposed		Inflation estimated as Avg of t, t-1
Consensus Inflation	Year	Nominal	Increase	Adj for infla
1.3%	2016	\$9.60	1.3%	
2.1%	2017	\$10.00	4.2%	
2.4%	2018	\$10.50	5.0%	
1.8%	2019	\$10.78	2.7%	
1.2%	2020	\$10.96	1.7%	
4.7%	2021	\$11.75	7.2%	4.3%
4.2%	2022	\$12.55	6.8%	2.4%
3.1%	2023	\$13.75	9.6%	5.9%
2.9%	2024	\$15.00	9.1%	6.1%
2.7%	2025	\$15.44	2.9%	0.1%



When might the minimum wage reach \$15 under current law?

Try #1	Min Wage	guess infla Sept-Aug
2022	\$12.55	5.0%
2023	\$13.18	5.0%
2024	\$13.84	5.0%
2025	\$14.53	5.0%
2026	\$15.25	5.0%
2027	\$16.02	3.0%

Try #2	Min Wage	guess infla Sept-Aug
2022	\$12.55	5.0%
2023	\$13.18	4.5%
2024	\$13.77	3.5%
2025	\$14.25	3.0%
2026	\$14.68	2.5%
2027	\$15.05	2.5%



Considerations for labor market and economic effects

- We have no comprehensive Vermont data on current wage rates, especially for low-wage workers; we cannot perform detailed analysis
- Current labor market and inflation conditions are extraordinary
 - Elevated wages and strong demand for low-wage labor suggest smaller negative impacts on the economy
- Nationally, the Employment Cost Index for private industry workers increased 4.4 percent for calendar year 2021

Employment Cost Index, Dec 2021					
incl. wages and benefits	Increase in Employment Cost Index, percent				
	Mar-21	Jun-21	Oct-21	Dec-21	12-mo
All private industry workers	1.0	0.8	1.4	1.2	4.4
Accommodation and food services	1.5	2.6	2.5	1.5	8.1
Nursing and residential care facilities	0.9	1.3	1.8	1.8	5.8

Source: U.S. Bureau of Labor Statistics, released Jan. 28, 2022



Likely effects of raising the minimum wage

- Some low-paid workers will receive an increased wage
 - Often less educated, older women, teenagers
- Vermont will see a small increase in tax revenues and reduction in benefit payments as a result
 - Vermont will also see some reduction in federal funds coming to the State from lower utilization of federal programs
- Some relatively small number of jobs will likely disappear
- In the long term, the number of jobs will be a bit lower and the level of GDP in Vermont will also be a bit lower



Part 5: Comments on the New Relocating Worker Incentives

Base grant not to exceed \$5,000; or \$7,500 if moving to a high unemployment or low-wage area;

Study conducted by PFM/Smart Incentives; Memo by JFO on the study

