

**State of Vermont  
Department of Labor**

P.O. Box 488  
Montpelier, VT 05601  
www.labor.vermont.gov

[telephone] 802-828-4301  
[fax] 802-828-4022

## MEMORANDUM

**To:** House Committee on Commerce and Economic Development  
**From:** Vermont Department of Labor  
**Date:** April 19, 2022  
**Subject:** H.159 \$25 Weekly Unemployment Insurance Supplemental Benefit

---

Act 51 of 2021 authorized a supplemental \$25 per week unemployment insurance benefit to be paid to all eligible claimants. However, the benefit was not implemented due to a conformance issue identified by the U.S. Department of Labor (USDOL). In discussions with the USDOL, Vermont was asked to repeal the existing non-conforming law and pass new legislation if the intent of the General Assembly was to move forward with a separate state supplemental benefit. The Senate Economic Development Committee addressed this in H.159 by repealing the existing non-conforming law and recreating the \$25 per week benefit in a way that resolves the original issue. While the bill was in the Senate's possession, the Committee took very limited testimony on this section, creating several concerns which are outlined below.

### Program Administration

It is not possible to administer the supplemental benefit program through the existing UI Mainframe (technology system used to administer UI benefits). The Department, Agency of Digital Services, and Joint Fiscal Office have all cautioned the legislature against making any changes to the UI program that would require additional mainframe programming, that doing so, would risk the integrity of the existing system. The USDOL also indicated that this benefit cannot piggyback on the administration of the underlying UI benefit. This leaves one, entirely manual, path forward. As written, the Department will be required to, on a weekly basis, compile a list of all claimants paid for the prior week, and upload that list to a third-party check-issuing vendor who will print and mail each weekly \$25 check. UI claimants will then receive two payments each week, one for the underlying UI weekly benefit and a second paper check for the supplemental \$25.

With that in mind, a July 1, 2022 implementation date is not feasible, as it does not provide adequate funding or time to create a standalone payment system. To ensure that the system used can manage payments in a secure way using industry methods of financial managements, it will take time and resources. The risk of not implementing a complete and thorough system for issuing this benefit is evident in the Lost Wages Assistance (LWA) program and Vermont Short-Term Supplemental (VSTS) program administered by the Department in 2020. Both programs were managed manually using spreadsheets. And, both programs were also found to be lacking in internal financial controls. The



manual nature of the work was a significant contributing factor to the 1099 incident in 2021, which resulted in the loss of protected personal identifiable information of tens-of-thousands of Vermonters.

### **Cost of the Program**

H.159 appropriates a total of \$8,000,000 (ARPA) to the supplemental benefit program and caps the costs for administration of the program at no more than five percent, or a total of up to \$400,000. This money is not accounted for anywhere in the House version of the budget. Based on initial projections of claimants filing and the cost to administer the supplemental benefit, this appropriation does not provide adequate funding for either the supplemental benefit or for administrative expenses.

Using 2018 as the baseline, the Department can anticipate nearly \$5,500,000 in supplemental benefits each year. Assuming claim volume remains relatively consistent, there would only be enough program funding for little over one year.

Additionally, based on our experience administering other supplemental programs, it will likely cost up to \$1.00 per check to be issued and mail. This equates to approximately \$212,000 per year just to print and mail checks. To effectively administer this program, it will also require dedicating a minimum of two full-time equivalents to this program, for at least the next two fiscal years. This will cost roughly \$275,000 annually. There will be significant reconciliation both during the program and long after its sunset. For reference, the Department is still reconciling and reissuing payments for the LWA program that was implemented in August 2020.

Therefore, in total, the Department estimates approximately \$500,000 per year in administrative expenses just in check issuing and staff time alone. This is well above the administrative cap of five percent and does not include the actual system that will be utilized to ensure proper accounting and check validation.

### **Claimant Experience**

One of the greatest lessons learned from the pandemic, is how complicated and unfriendly the existing UI system is for new claimants. It was not lost on us how important it is to have an accessible and intuitive system that can effectively communicate and inform claimants throughout the process. Because of this, the Department feels strongly that the \$25 benefit outlined in H.159 will not support our goal of improving the claimant experience. Based on our experiences with other supplemental programs, we expect this benefit is likely to make the claimant experience more difficult and frustrating as they try to navigate and understand two separate benefit processes.

The Department anticipates there to be significant complications with this program because all checks will be mailed. There will likely be instances where the check is lost in the mail, the claimant forgot to cash the check in time or cases where the claimant's address was not updated in the system and the check is mailed to the incorrect address. The reality is this \$25 benefit will likely cause more disruption and lead to increased frustration by claimants.

The Department believes the best path forward is to fully commit to the unemployment insurance system modernization by appropriating the full \$30,000,000 included in the Governor's FY23 budget. A modernized system will be more agile, allowing changes to be made to the benefit amount rather than adding a separate supplemental benefit as a bridge between the legacy system and the new modern system.



To be clear, there is a path forward for the supplemental benefit; however, not based on the current timeline and resources allocated. The Department is available to provide information and testimony to the Committee and hopes the conversation continues in a positive direction.

