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 – As Passed by 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. Four of the changes will noticeably affect payments received by UI recipients or contributions paid by employers and will thereby change the trajectory of the UI Trust Fund.

- 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. Without intervention, the tax schedule would increase to the highest schedule – Schedule V.
- 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.

Dependent Benefit

Based on historical data, about half of UI recipients have one or more dependents under 18 years of age. Offering a Dependent Benefit of $50 per week to UI recipients and projecting the unemployment rate, labor force, and the share of unemployed individuals who receive UI benefits leads to a cost estimate of about $38 million for the Dependent Benefit over five years (see Table below).

The new Dependent Benefit provision does not apply if, on *April 15, 2021*, the UI Trust Fund is projected to drop below $90 million on or before December 31, 2021. The Dependent Benefit is suspended for a year from July 1, 2022 through June 30, 2023 if, on April 15, 2022, the balance of the Unemployment Insurance Trust Fund is either below $90 million or projected to drop below that amount on or before December 31, 2022. As of the week ending April 10, 2021, the balance in the UI Trust Fund was $203.3 million. For comparison, the UI Trust Fund balance was $495 million as of the week ending April 4, 2020.

Relief for UI Contributions from Employers

Beginning July 1, 2021 for 12 months, the UI contribution rate schedule will remain at Schedule I. Without this provision, the rate schedule would increase to the highest Schedule V because UI payments have been so large during the pandemic.[1]

The rate schedule provision does not apply if, on *April 15, 2021*, the UI Trust Fund is projected to drop below $90 million on or before December 31, 2021. Again, as of the week ending April 10, 2021, the balance in the UI Trust Fund was about $203.3 million.

In addition, beginning January 1, 2022 for 12 months, the taxable wage base for employer contributions will remain at the current level of $14,100. Without this provision, the taxable wage base would increase to $14,600.[2]

The taxable wage base provision does not take effect if the balance of the UI Trust Fund is below $90 million on October 15, 2021 or projected to fall below that amount on or before December 31, 2021.

JFO estimates the two pieces of contribution relief would result in roughly $80 million less flowing to the UI Trust Fund in FY 2022 (again, see the Table below).

Avoiding Impacts on Employers Over the Next 10 Years

Under current provisions for the UI Trust Fund, the formula that determines employer contributions for a fiscal year is based on the worst year in the 10-year period ending the prior December 31. Without intervention, employer contributions in each of the next 10 years would be based on UI experience in the high-cost pandemic year 2020. Freezing the taxable wage base and tax rate schedule for 12 months each implies deferred contributions in future years. To avoid some of the deferred contributions over the next 10 years, the bill requires the Commissioner of Labor to reduce contributions from employers to the UI Trust Fund by $66.5 million during the period July 1, 2022 to June 30, 2031.

The amount $66.5 million is 83 percent of the estimated relief offered to employers through freezing the contribution rate schedule in FY 2022 and the taxable wage base in CY 2022.

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[1] See Vermont Department of Labor, "Unemployment Insurance Trust Fund Forecast – 2020-2031," available at https://labor.vermont.gov/sites/labor/files/doc_library/Unemployment%20Insurance%20Trust%20Fund%20Report-2020.pdf.

[2] Again see "Unemployment Insurance Trust Fund Forecast – 2020-2031."

Further analysis of this provision may be required. Because the current formula that determines employer contributions in FY 2032 will include the relatively high-cost pandemic year 2021, the current formula could increase contributions starting in the eleventh year to replenish some part of the $66.5 million in deferred contributions.

Table. Effect of S.10 Provisions on the UI Trust Fund

	Estimated Effect July 2021 - Dec 2022	Estimated Effect Over 5 Years	Total Amount Specified in S.10
Dependent Benefit		$38 million	
Contribution Relief	$80 million		
Avoidance of Impact on Employers over 10 Years			$66.5 million