Lake Champlain Chamber

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Senator Michael Sirotkin
Chair, Senate Committee on Economic Development, Housing and General Affairs
Vermont State House
115 State Street
Montpelier, VT 05633-5301

CC: Members of the Senate Committee on Economic Development, Housing and General Affairs

February 25, 2021

Chair Sirotkin,
We write to you today to thank you for your work on the difficult issues related to the experience ratings in S.10 and the Unemployment Insurance (UI) Trust Fund's solvency. We would discourage you from seeking an increase in benefits distributed as it is not rational in the context of the principles and regulations governing the UI Trust Fund for the following reasons;

A temporary delay in rate schedule increases is simply a deferral of employer contributions, not relief. This deferral ensures that there is no more funding withdrawn from circulation within the Vermont economy than is necessary to maintain a strong trust fund and leaves that funding to help keep Vermonters employed. This is not a large deviation from the intent of our UI system, as it was designed to be a counter-cyclical system rather than a pro-cyclical system; that is the system is designed to be paid into during good times to be drawn on during bad times. The COVID-19 pandemic and the associated recession have presented an outsized shock to the system that interrupts the program's counter-cyclical policy objectives, requiring some adjustment.

For this reason, the current situation is not analogous to the grand bargain of 2010. That situation was about sharing the pain of repairing the Trust Fund. This current situation is about replenishing the trust fund at a rate that does not withdraw funds from the Vermont economy at a time that they are not needed to ensure the trust fund's solvency, in keeping with the counter-cyclical nature of the program described above.

An increase in benefits is not germane to the conversation at hand; ensuring solvency to the UI trust fund at a sustainable pace. As we said above, the issue at hand is mitigating the rate increases to a sustainable pace at which the trust fund is replenished.

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Increased benefits have already come from the federal level, and more are coming imminently. Congress will soon pass the $1.9 trillion relief package, which will add an additional $400 to weekly unemployment benefits and $1400 economic impact payments.

In conclusion, by recalibrating the policy instruments of the unemployment trust fund proposed by the Department of Labor, the Committee can ensure the program's counter-cyclical goal is maintained and allow for contributions to the program made during more stable economic conditions. This was always the intention of such a program; however, COVID-19 has presented an outsized influence on the program that requires this unique adjustment. For this reason, we would discourage making any additional changes beyond those put forth by the Department of Labor.

Sincerely,

Austin Robert Davis
Government Affairs Manager