

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: Senate Committee on Economic Development, Housing and General Affairs
From: Michael Harrington, Commissioner of Labor
Date: February 19, 2021
Subject: Unemployment Insurance Policy Proposals

The following information is being provided to the committee as written testimony from the Department of Labor regarding policy requests pertaining to the temporary adjustments to the unemployment insurance statute for the purpose of the State's COVID-19 recovery effort.

The COVID-19 pandemic presented many challenges for Vermonters and Vermont businesses, resulting in a massive number of individuals being dislocated from employment either temporarily or permanently. As more Vermonters accessed benefits, the General Assembly moved quickly to enact immediate steps to limit the financial impact to employers by instituting charge relief for Pandemic related claims; however, as the length of the Pandemic has grown, and the impact to the unemployment trust fund has deepened, it has become clear that the existing unemployment insurance tax structure would cause undue burden to Vermont businesses before they had a chance to fully recover from the Pandemic.

With that, the Department has recommended the following two statutory changes for the upcoming 12 to 18 months for employer COVID-19 recovery relief:

- 1) Freeze the UI Tax Schedule at Tax Schedule 1 for an additional year (Jul 2021 – Jun 2022); and
- 2) Freeze the UI Taxable Wage Base at its current level of \$14,100 for an additional year (Jan 2022 – Dec 2022).

These actions would provide necessary relief to ensure employer retention and recovery, while limiting the potential for further closures and layoffs. Additionally, as part of these two proposals, the Department is recommending language that would limit the speed at which the UI tax structure can increase employer tax rates by capping the number of tax schedules the rate can rise in any given 12-month period. Furthermore, the Department is recommending the implementation of safety triggers that would repeal proposals 1 & 2 should it be determined that the proposals would risk the exhaustion of the Fund.



The Department is aware of the Committee's interest to explore ways to increase the level of wage replacement (i.e., benefits) for individual claimants. At this time, the Department strongly opposes any changes to the maximum weekly benefit amount or the benefit calculation. This is primarily driven by the need for significant coding changes to the Department's mainframe in order to implement such a change and the potential risk of causing a catastrophic failure of the existing IT system. This opposition is also driven by the significant broadening of benefit eligibility requirements and benefit amounts as part of federal relief packages, which the Department can more easily administer, while also limiting the downward pressure on the Fund.

Both the legislature and Department share a common goal in ensuring that Vermonters in need of support receive it, and that Vermont fully recovers from the COVID-19 pandemic as quickly as possible. The Department of Labor looks forward to continuing to work with the legislature to align unemployment insurance policy with the needs of Vermonters and Vermont businesses.

