

**State of Vermont
Department of Labor**

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T E S T I M O N Y

To: Senate Economic Development, Housing and General Affairs
From: Mathew Barewicz, Director of Economic & Labor Market Information,
Vermont Department of Labor
Date: March 23, 2021
Subject: Testimony on Impacts to Unemployment Insurance (UI) Trust Fund (TF)

The Economic and Labor Market Information Division has prepared the following information at the request of the Committee.

The following table compares key components of three forecasts. These forecasts include the Baseline (or “Base”) forecast from the UITF annual report and the two proposals described below (“Admin.” and “Comm.+”).

The Administration’s proposal (or “Admin.”) calls for freezing the taxable wage base (TWB) for one year, freezing the tax rate schedule (TRS) for one year and limiting an increase to the tax rate schedule to a maximum of two schedules in any subsequent year.

The “Committee Plus” forecast (or “Comm.+”) includes the Administration’s proposal but, in addition, adds a 20% increase to benefits during SY2022 (July2021-June2022) for one year and adds a \$50 per week dependency benefit for claimants who qualify in perpetuity.

In addition, for discussion purposes, a table comparing estimated UI TF balances and the corresponding tax rate schedule for employers has been prepared based on a couple of variations to the current calculation.

To be clear, the Department has prepared this data at the request of the Committee. The Administration opposes increasing the weekly benefit amount at this time.





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UPDATED - Unemployment Insurance (UI) Trust Fund (TF) - Comparison of Three Forecasts

Mar-2021

Year	UI TF Balance [a]			Benefits [b]			Contributions [c]			Tax Rate Sch. [d]			Taxable Wage Base [e]		
	Base	Admin.	Comm.+	Base	Admin.	Comm.+	Base	Admin.	Comm.+	Base	Admin.	Comm.+	Base	Admin.	Comm.+
2020	\$241.7	\$241.7	\$241.7	\$387.4	\$387.4	\$387.4	\$117.3	\$117.3	\$117.3	I	I	I	\$16,100	\$16,100	\$16,100
2021	\$234.8	\$196.5	\$174.0	\$158.3	\$158.3	\$180.8	\$146.6	\$108.3	\$108.3	V	I	I	\$14,100	\$14,100	\$14,100
2022	\$305.1	\$210.2	\$149.5	\$118.8	\$118.8	\$157.0	\$183.3	\$126.7	\$126.7	V	III	III	\$14,600	\$14,100	\$14,100
2023	\$420.0	\$292.9	\$224.7	\$83.1	\$83.1	\$90.7	\$190.6	\$158.4	\$158.4	V	V	V	\$15,100	\$14,600	\$14,600
2024	\$536.0	\$421.1	\$347.2	\$74.8	\$74.8	\$80.5	\$181.1	\$193.2	\$193.2	IV	V	V	\$15,600	\$15,100	\$15,100
2025	\$643.4	\$543.9	\$474.4	\$75.6	\$75.6	\$80.8	\$172.0	\$187.4	\$197.1	IV	IV	V	\$16,100	\$15,600	\$15,600
2026	\$743.0	\$658.1	\$592.8	\$76.3	\$76.3	\$81.4	\$163.4	\$178.1	\$187.2	III	IV	IV	\$16,700	\$16,100	\$16,100
2027	\$826.0	\$764.0	\$693.8	\$77.1	\$77.1	\$82.1	\$146.3	\$169.2	\$169.3	III	III	III	\$14,700	\$16,700	\$16,700
2028	\$902.2	\$851.9	\$777.0	\$77.9	\$77.9	\$82.8	\$138.9	\$150.7	\$150.9	II	III	III	\$15,200	\$14,700	\$14,700
2029	\$972.1	\$933.0	\$853.4	\$78.6	\$78.6	\$83.4	\$132.0	\$143.2	\$143.3	II	II	II	\$15,700	\$15,200	\$15,200
2030	\$1,035.8	\$1,007.4	\$923.2	\$79.4	\$79.4	\$84.1	\$125.4	\$136.0	\$136.1	I	II	II	\$16,200	\$15,700	\$15,700
2031	\$1,084.3	\$1,075.0	\$996.5	\$80.2	\$80.2	\$84.8	\$110.1	\$129.2	\$139.5	I	I	II	\$14,200	\$16,200	\$16,200

Definitions

"Base" - refers to Baseline forecast presented in 2021 annual report of the UITF dated 1/31/21

"Admin." - refers to Administration's proposal to freeze sch I, limit 2 sch increase and freeze at TWB \$14.1k; see 2/12/21 submitted testimony for more detail

"Comm.+" - refers to Committee's proposal which includes Admin. proposal and adds 20% to benefits for one year plus a dependency benefit in perpetuity

Notes

[a] in millions of dollars as of the end of the year; includes interest

[b] in millions of dollars; does not include benefits paid by federal USDOL

[c] in millions of dollars

[d] annual determination effective in July

[e] annual determination effective in January



UI TF Balance Needed for Tax Rate Schedule Under Varying Calculations*

Tax Rate Schedule	Current Calculation	What if we ignore 2020?		Long term, what if we use the 2 worst years?	
		Year 1 (based on 2011) [^]	Year 2 (based on 2021)	Include 2020 (2020 & 2021)	Ignore 2020 (2021 & 2022)
I	> \$968.5M	> \$302.5M	> \$395.9M	> \$682.2M	> \$346.4M
II	\$774.8M < \$968.5M	\$242.0M < \$302.5M	\$316.7M < \$395.9M	\$545.7M < \$682.2M	\$277.1M < \$346.4M
III	\$581.1M < \$774.8M	\$181.5M < \$242.0M	\$237.5M < \$316.7M	\$409.3M < \$545.7M	\$207.8M < \$277.1M
IV	\$387.4M < \$581.1M	\$121.0M < \$181.5M	\$158.3M < \$237.5M	\$272.9M < \$409.3M	\$138.5M < \$207.8M
V	< \$387.4M	< \$121.0M	< \$158.3M	< \$272.9M	< \$138.5M

Notes:

* in 2020 dollars; estimates for discussion purpose only; actual calculation requires future total annual taxable wage base amounts which is not available.

[^] Years in parentheses represent the reference year the calculation is based on.

