



Vermont Unemployment Insurance Trust Fund: Data and Options

Prepared for the Unemployment Insurance Study Committee

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Originally presented on October 19, 2022

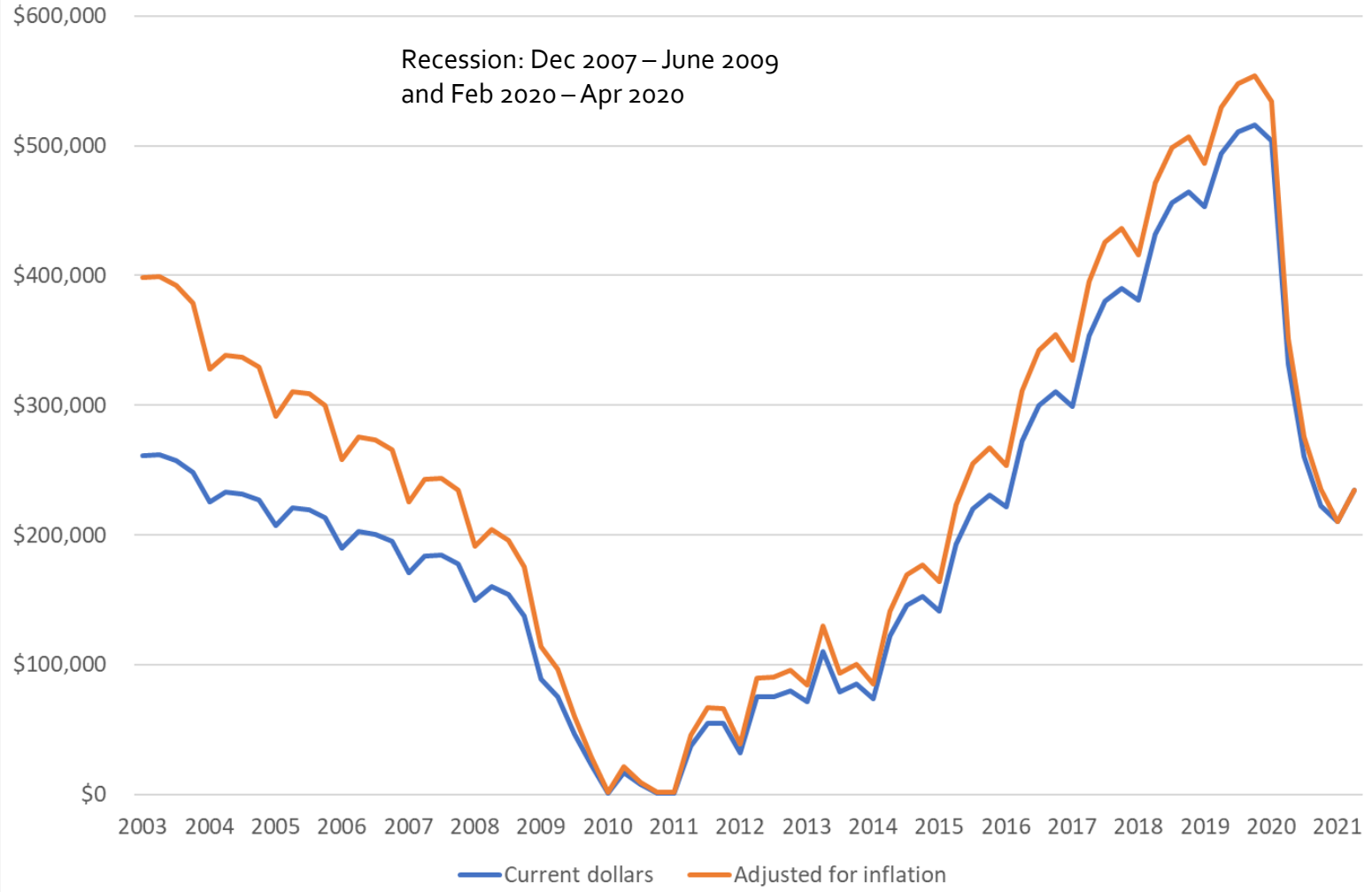
Revised on October 22, 2022



Part I: Solvency of the Unemployment Insurance Trust Fund

Trust Fund balance, Average High Cost Multiple

UI Trust Fund Balance in Vermont, current dollars and adjusted for inflation,
2003:Q1 - 2021:Q2



Average High Cost Multiple (AHCM)

- AHCM defined:

Trust Fund balance

[average of 3 highest benefit amts paid, excl. reimb. employer benefits]

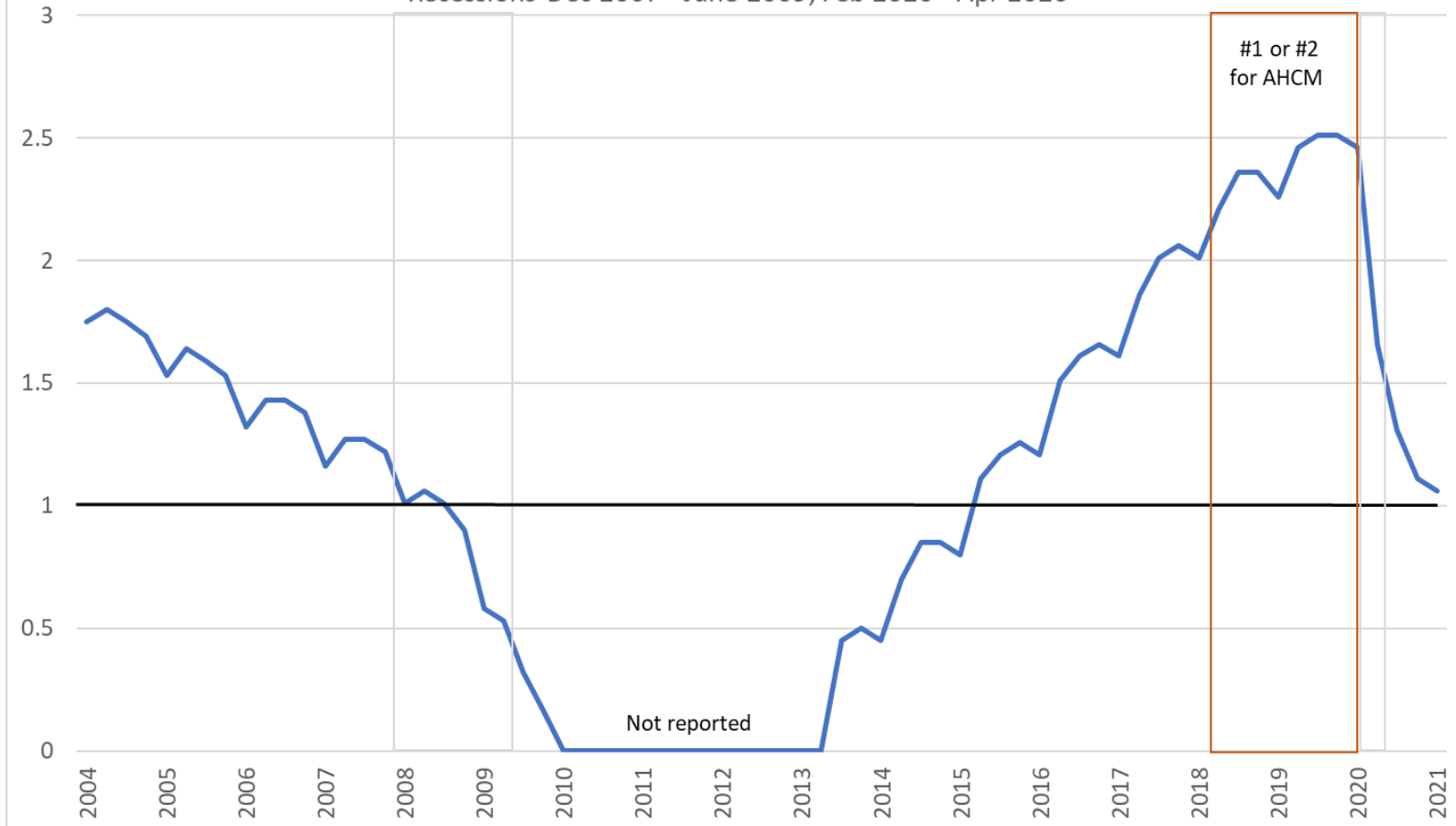
- U.S. Department of Labor prefers AHCM be greater than or equal to 1
- Source: U.S. Dept. of Labor, Employment and Training Administration

Year	Quarter	Trust Fund Balance(000)	Average High Cost Multiple
2002	3	NA	NA
2002	4	NA	NA
2003	1	\$261,339	NA
2003	2	\$261,656	NA
2003	3	\$257,294	NA
2003	4	\$248,152	NA
2004	1	\$225,780	1.75
2004	2	\$232,966	1.8
2004	3	\$231,892	1.75
2004	4	\$226,959	1.69
2005	1	\$207,341	1.53
2005	2	\$221,074	1.64
2005	3	\$219,854	1.59
2005	4	\$213,378	1.53
2006	1	\$189,622	1.32
2006	2	\$202,518	1.43
2006	3	\$200,828	1.43
2006	4	\$195,303	1.38
2007	1	\$170,724	1.16
2007	2	\$183,544	1.27
2007	3	\$184,518	1.27
2007	4	\$177,613	1.22
2008	1	\$149,982	1.01
2008	2	\$160,643	1.06
2008	3	\$153,975	1.01
2008	4	\$137,837	0.9
2009	1	\$89,072	0.58
2009	2	\$75,275	0.53
2009	3	\$46,872	0.32
2009	4	\$23,038	0.16
2010	1	\$1,376	0
2010	2	\$16,907	0
2010	3	\$7,713	0
2010	4	\$1,363	0
2011	1	\$1,376	0
2011	2	\$37,763	0
2011	3	\$54,804	0
2011	4	\$54,533	0

Year	Quarter	Trust Fund Balance(000)	Average High Cost Multiple
2012	1	\$32,480	0
2012	2	\$75,114	0
2012	3	\$75,622	0
2012	4	\$80,100	0
2013	1	\$71,859	0
2013	2	\$110,507	0
2013	3	\$79,457	0.45
2013	4	\$85,353	0.5
2014	1	\$73,857	0.45
2014	2	\$122,267	0.7
2014	3	\$146,123	0.85
2014	4	\$152,934	0.85
2015	1	\$141,519	0.8
2015	2	\$192,993	1.11
2015	3	\$220,244	1.21
2015	4	\$230,963	1.26
2016	1	\$222,054	1.21
2016	2	\$272,369	1.51
2016	3	\$299,665	1.61
2016	4	\$310,194	1.66
2017	1	\$299,406	1.61
2017	2	\$353,539	1.86
2017	3	\$380,566	2.01
2017	4	\$389,954	2.06
2018	1	\$380,927	2.01
2018	2	\$431,606	2.21
2018	3	\$456,190	2.36
2018	4	\$464,156	2.36
2019	1	\$453,306	2.26
2019	2	\$493,923	2.46
2019	3	\$510,986	2.51
2019	4	\$516,159	2.51
2020	1	\$503,767	2.46
2020	2	\$331,444	1.66
2020	3	\$260,191	1.31
2020	4	\$222,169	1.11
2021	1	\$210,520	1.06
2021	2	\$234,657	-

Average High Cost Multiple for Vermont, 2004:Q1 - 2021:Q1;

Recessions Dec 2007 - June 2009; Feb 2020 - Apr 2020



Source: U.S. Dept. of Labor, Employment and Training Administration, Unemployment Insurance Data; Data not available prior to 2004;
Analysis by JFO/jm



Question from previous meeting: How did some states increase their AHCM during the pandemic?

- Four states had higher AHCMs on Jan. 1, 2021 than on Jan. 1, 2020.
 - Maine, Idaho, North Dakota, South Carolina
- Each of those four states used Coronavirus Relief Funds to boost their UI Trust Funds directly

Trust Fund Solvency -- Average High Cost Multiple				
		1/1/2020	1/1/2021	Change
1	Maine	1.32	1.63	0.31
2	Idaho	1.54	1.61	0.07
3	North Dakota	1.19	1.20	0.01
4	South Carolina	1.08	1.09	0.01
5	Arkansas	1.31	1.25	-0.06
6	Nebraska	1.75	1.55	-0.2
7	Montana	1.53	1.31	-0.22
8	Alaska	1.68	1.26	-0.42
9	North Carolina	1.36	0.93	-0.43
10	South Dakota	1.81	1.35	-0.46
11	Iowa	1.47	0.97	-0.5
12	Utah	1.67	1.04	-0.63
13	Wyoming	2.32	1.66	-0.66
14	Mississippi	1.92	1.26	-0.66
15	Washington	1.18	0.43	-0.75
16	Oregon	2.51	1.74	-0.77
17	Florida	1.07	0.23	-0.84
18	Kansas	1.53	0.62	-0.91
19	Michigan	1.14	0.20	-0.94
20	Virginia	1.10	0.10	-1
21	District of Columbia	1.18	0.15	-1.03
22	Puerto Rico	1.44	0.31	-1.13
23	New Mexico	1.13	0.00	-1.13
24	Georgia	1.25	0.06	-1.19
25	Hawaii	1.29	0.00	-1.29
26	Louisiana	1.34	0.00	-1.34
27	Oklahoma	1.71	0.22	-1.49
28	Nevada	1.52	0.00	-1.52
29	Vermont	2.53	0.86	-1.67
States with higher AHCM on Jan.1, 2021 than on Jan.1, 2020				
States with better AHCM on Jan.1, 2021 than Vermont				



Part 2: Raising the Minimum UI Benefit

Aim to add benefits costing about \$10 million per year by raising the minimum benefit

The current minimum benefit for UI

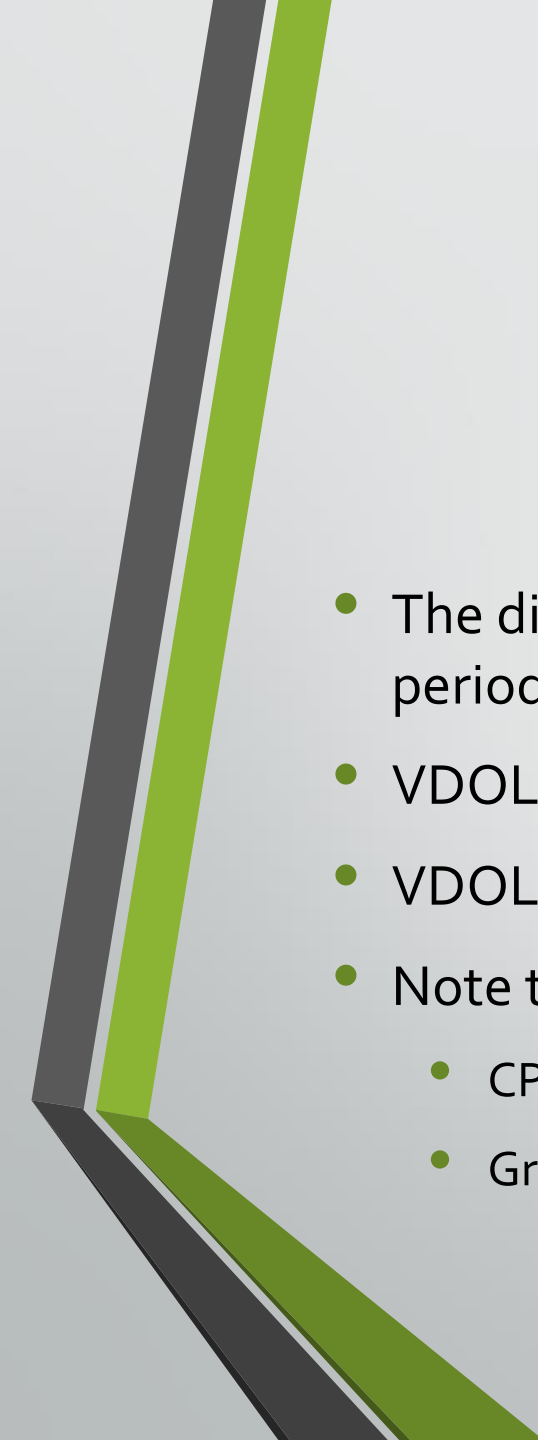
- The current minimum benefit is based on the lowest earnings possible that result in eligibility for UI
- Currently, the minimum benefit is about \$85 per week
- In the second half of 2020, the lowest benefit paid was between \$81 and \$85

Question to JFO from the Study Committee

- How much would the minimum benefit have to rise to cause additional cost of about \$100 million over 10 years, or about \$10 million per year?

Feasibility of raising the minimum UI benefit

- Is it possible/feasible to raise the minimum UI benefit?
 - The Commissioner said a few months ago he “thought changing the minimum benefit could be done.”
- Email from VDOL on Oct 14: “In theory, it is possible to establish a minimum UI weekly benefit amount; however, the Department would urge caution when considering changes to the current Mainframe system. We have never established a minimum benefit amount, and there may be unforeseen issues associated with this work. We would also need to fully vet this possibility with the U.S. Department of Labor.”




The distribution of UI recipients by Weekly Benefit Amount

- The distribution from VDOL shows the number of UI recipients during a specified period who initially qualified for gross weekly benefits of a specific amount
- VDOL provided data for the second half of 2020
- VDOL also recently provided data for the first and second halves of 2018
- Note the difference between 2020 dollars and 2022 dollars
 - CPI-U inflation between 2020 and 2022 may be as much as 8 percent
 - Growth in the average weekly wage is not yet known

JFO is not able to model the cost of raising the minimum benefit at this time

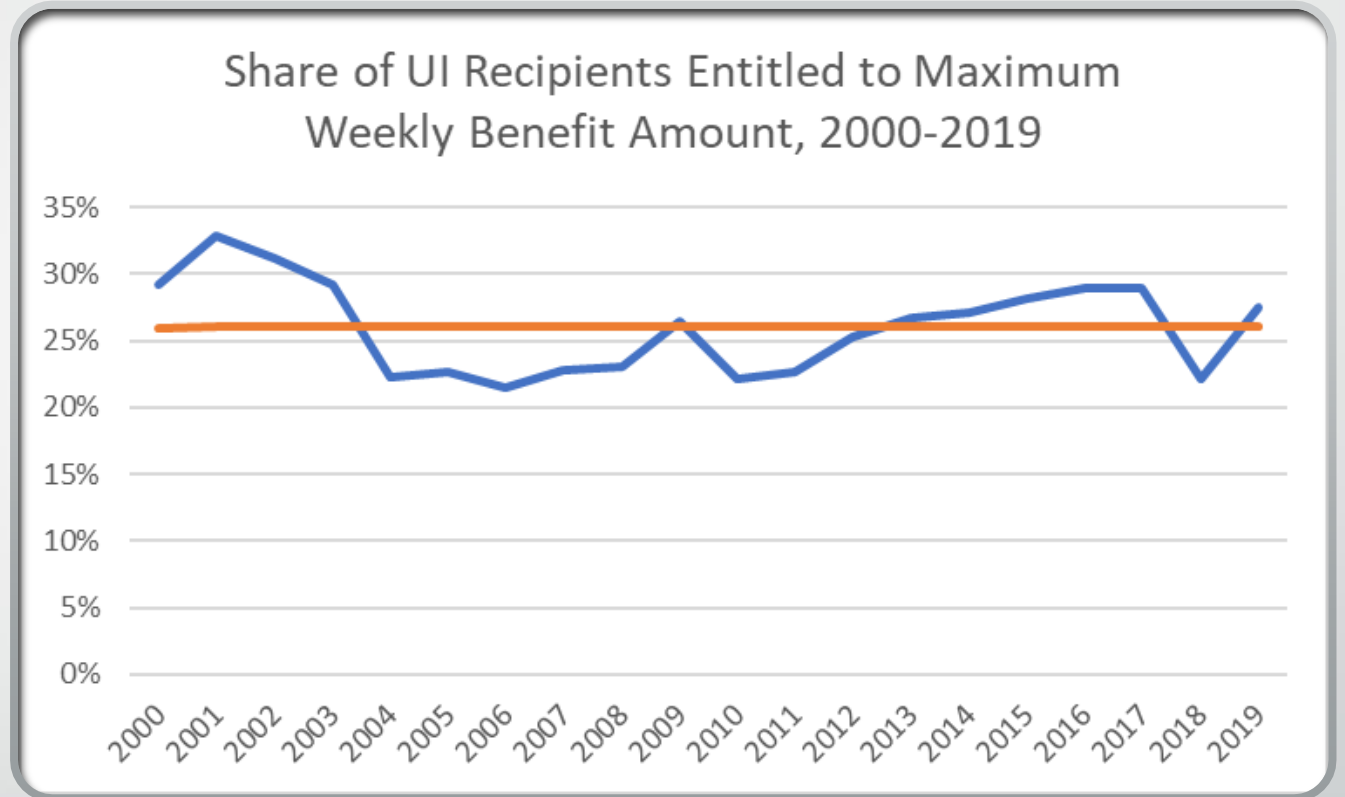
- Following JFO's presentation to the Unemployment Insurance Study Committee on October 19, JFO learned that the distribution by Weekly Benefit Amount received from the Vermont Department of Labor shows the distribution of *gross* benefit amounts as calculated during the initial stage of UI application
- JFO needs a distribution of *net* benefit amounts, after removing ineligible applicants as well as those with amounts not paid because of penalty weeks, overpayments, or earnings offsets
- It will take some time to receive the distribution of net Weekly Benefit Amounts



Part 2a: An aside on the share of UI recipients
who receive the maximum benefit


Share of UI Recipients Entitled to Maximum Weekly Benefit Amount

- In 2019, 18,073 monetary determinations were made
 - 16,914 determinations showed sufficient wage credits
 - 4,649, or 27.5%, were entitled to the maximum Weekly Benefit Amount
 - That share varied between almost 33% in 2001 and 22% in 2018



A possible consideration if the minimum benefit is increased


- The impact of “induced entry”
 - As workers become aware of the higher minimum benefit, more unemployed workers might decide to apply for UI benefits, stay on the UI program longer, or reduce job search efforts
 - Only weak support for induced entry from the CARES Act \$600 additional benefit for UI (FPUC)
 - See Ioana Marinescu, Univ. of Pennsylvania, August 11, 2020
 - <https://econofact.org/have-enhanced-unemployment-benefits-discouraged-work>



Part 3: Consider raising both the
minimum UI benefit and the
maximum UI benefit

Feasibility of raising the maximum benefit

- VDOL email on Oct. 15: “The maximum weekly benefit amount is altered each year as part of the annual determination process established in 21 VSA § 1338. That said, since the onset of the pandemic the department has changed the MWBA twice, and both times have resulted in significant improper payments to claimants. This is due to the lack of skilled staff with historical knowledge working on the UI system, along with the massive changes that were made to the system to manage the pandemic.”



Part 4: Possible benchmarks to use for the minimum UI benefit

Livable wage, poverty guidelines, SSDI SGA, EPI, Dube

Possible benchmarks for the minimum UI benefit

- 2020 livable wage from the Vermont Basic Needs Budget Report, 2020
 - Full-time, 1 individual in household with two working members, no children: \$535.60
- Poverty guidelines, 2021
 - 1-person household: \$247.69
 - 1-person household at 125% of FPL: \$309.62
- Social Security Disability Insurance, Substantial Gainful Activity, 2020
 - Non-blind, \$293.02
- Economic Policy Institute: the greater of 20% of state average weekly wage or \$250
 - For 2020 in Vermont, the greater of \$187.10 or \$250 --> \$250
- Professor Dube in a Hamilton Project paper: 20% of the U.S. average weekly wage
 - For private sector workers in 2020, \$202.88

Average weekly wage for Vermont and the United States

			2017	2018	2019	2020
VT avg weekly wage (VDOL)			\$853.86	\$874.08	\$902.29	\$935.50
20% of avg wkly wg			\$170.77	\$174.82	\$180.46	\$187.10
30% of avg wkly wg			\$256.16	\$262.22	\$270.69	\$280.65
U.S. avg wkly wage, priv ind (BLS)			\$905.00	\$934.36	\$962.81	\$1,014.40
20% of avg wkly wg			\$181.00	\$186.87	\$192.56	\$202.88
30% of avg wkly wg			\$271.50	\$280.31	\$288.84	\$304.32