



Legislative Report

Unemployment Insurance Trust Fund Report

Submitted On:

January 31, 2026

Submitted To:

The Honorable Phil Scott, Governor
House Committee on Commerce and Economic Development
House Committee on Ways and Means
Senate Committee on Economic Development, Housing, and General Affairs
Senate Committee on Finance

Submitted By:

The Vermont Department of Labor

IN ACCORDANCE WITH 21 V.S.A. § 1309

This report and accompanying analysis of the Unemployment Insurance (UI) Trust Fund (TF) is completed in fulfillment of State law: “On or before January 31 of each year, the Commissioner [of Labor] shall submit to the Governor and the Chairs of the Senate Committees on Economic Development, Housing and General Affairs and Finance and the House Committees on Commerce and Economic Development and Ways and Means a report covering the administration and operation of this chapter during the preceding calendar year. The report shall include a balance sheet of the moneys in the Fund and data as to probable reserve requirements based upon accepted actuarial principles, with respect to business activity, and other relevant factors for the longest available period.” 21 V.S.A. § 1309

JANUARY 2026 UPDATE – SUMMARY

As it relates to UI in the State of Vermont, the most pressing issue is the modernization of the tax and benefit systems used to administer the UI program. The Department of Labor is in the middle of a \$30+ million modernization effort that will update the core information technology (IT) systems for the unemployment insurance program. The project kicked off in August of 2024 and is expected to go live in spring/summer of 2026. The company providing the system is FAST Enterprises. This company has a proven solution that has been deployed in other states and the vendor that modernized Vermont’s Tax and DMV systems. For additional information about UI modernization, see last section of this report.

At the beginning of calendar year (CY)2025, the balance available to pay UI benefits in the UI TF was \$310.0M. During CY2025, an estimated \$71.3M in contributions from tax-paying employers were collected. Over the same period, an estimated \$69.6M in regular UI benefits were paid out. The UI TF is an interest-bearing account earning approximately 2.8%. Quarterly interest payments are added to the UI TF, and in CY2025, \$9.1M in interest payments were added to the fund. After adding contributions, subtracting benefits, and adding interest, CY2025 had a yearend balance of \$320.9M. The UI TF has been cash-positive for the past four consecutive years. Yet, 2025 showed the slowest rate of growth due to an increase to UI benefit filings. Though still below 2019 levels, 2025 was above the prior three years (2022-2024) which were new historical lows. With this rise in claimant activity, benefits paid out nearly equaled contributions collected. In short, the number and value of benefits paid has been growing faster than the amount of contributions collected, which have experienced some downward pressure due to less mobility in the job market. The interest earned on the fund balance (\$9.1M) is driving the over-the-year growth (\$10.9M) in the fund.

Note: The UI Trust Fund report is based on the best available data at the time of issuance. The final calendar year 2025 data is still being processed, so all 2025 data in this report is estimated.

HISTORICAL UI DATA

The way Vermont’s UI TF is designed to operate is much like a “rainy day fund.” Ideally, it grows during good economic periods so there are ample reserves available during economic downturns. This was not the case during the 2001 - 2008 period when the economy grew, but the

UI TF shrank. This reduced the ability of the fund to withstand the economic downturn that started in December 2007. Due to the size and duration of the 2007 recession, Vermont needed to borrow funds from the federal government to meet the obligations of the UI TF. The State took out a federal Title XII loan to pay UI benefits. Due to state legislative reforms in 2010, the health of the UI TF returned. Before the COVID-19 recession in 2020, there was \$510.9M in the fund. Though the COVID-19 recession was historically deep, it was also short. This, combined with the fund's health and federally-funded UI support programs such as Pandemic Extended Unemployment Compensation, allowed the fund to remain positive, though it was cut in half. Since 2022, contributions to the UI TF have exceeded the benefits paid out.

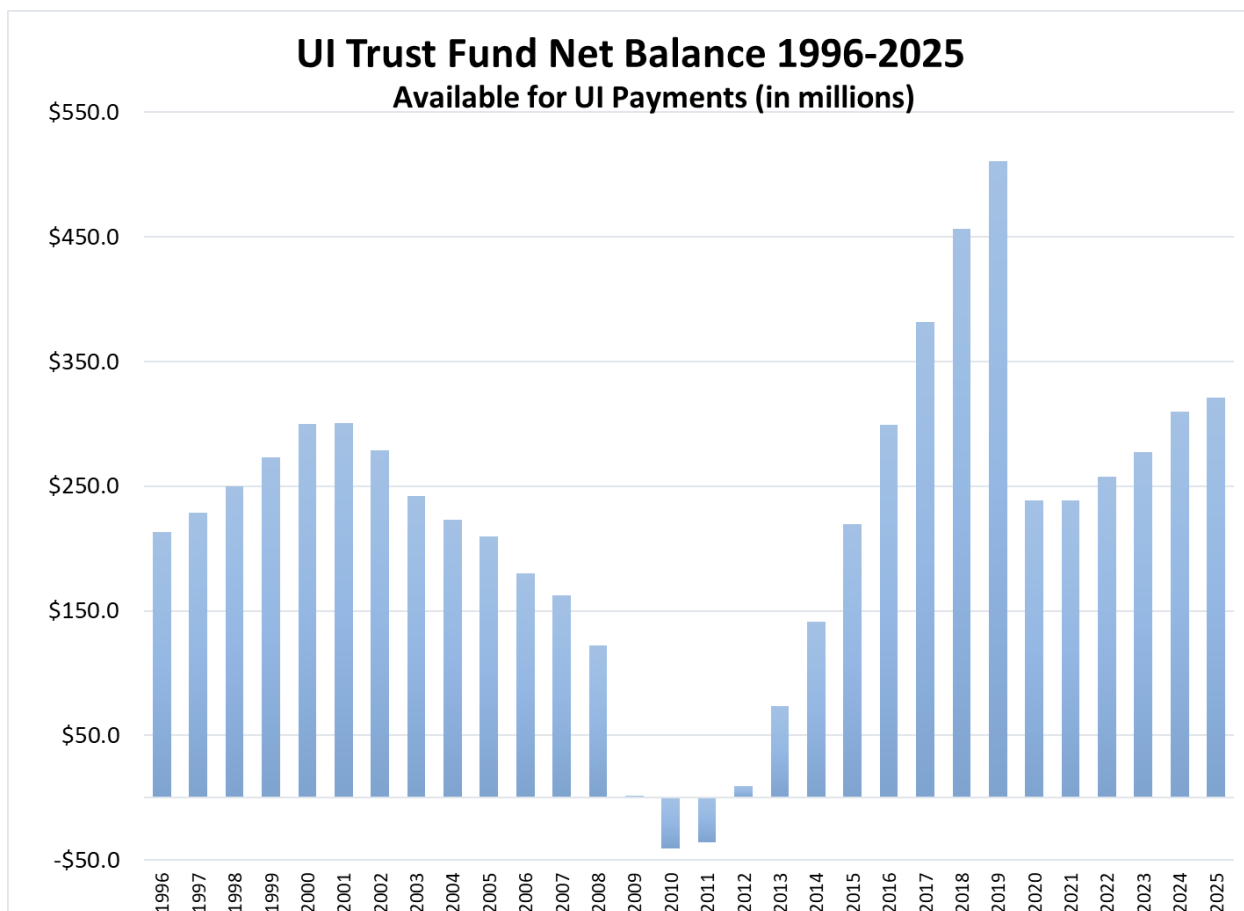


Figure 1 – UI Trust Fund Net Balance 1996-2025

Figure 2 excludes the years 2020 and 2021 from the picture to show the week-to-week seasonal pattern of UI claims activity as well as overall levels. 2025 was above 2024 levels for much of the year but was below 2019. At the time, 2019 was considered to have low levels of claims. The three-year period between 2022 and 2024 was even lower. The only deviation from the usual seasonal patterns of UI claims activity over this period was in the summer of 2023 (the green line from week 27 to week 34), when claims rose due to a natural disaster (flooding) that impacted many areas of the state. Additional UI summary data can be found online at:

<http://www.vtlmi.info/lmipub.htm#uc>.

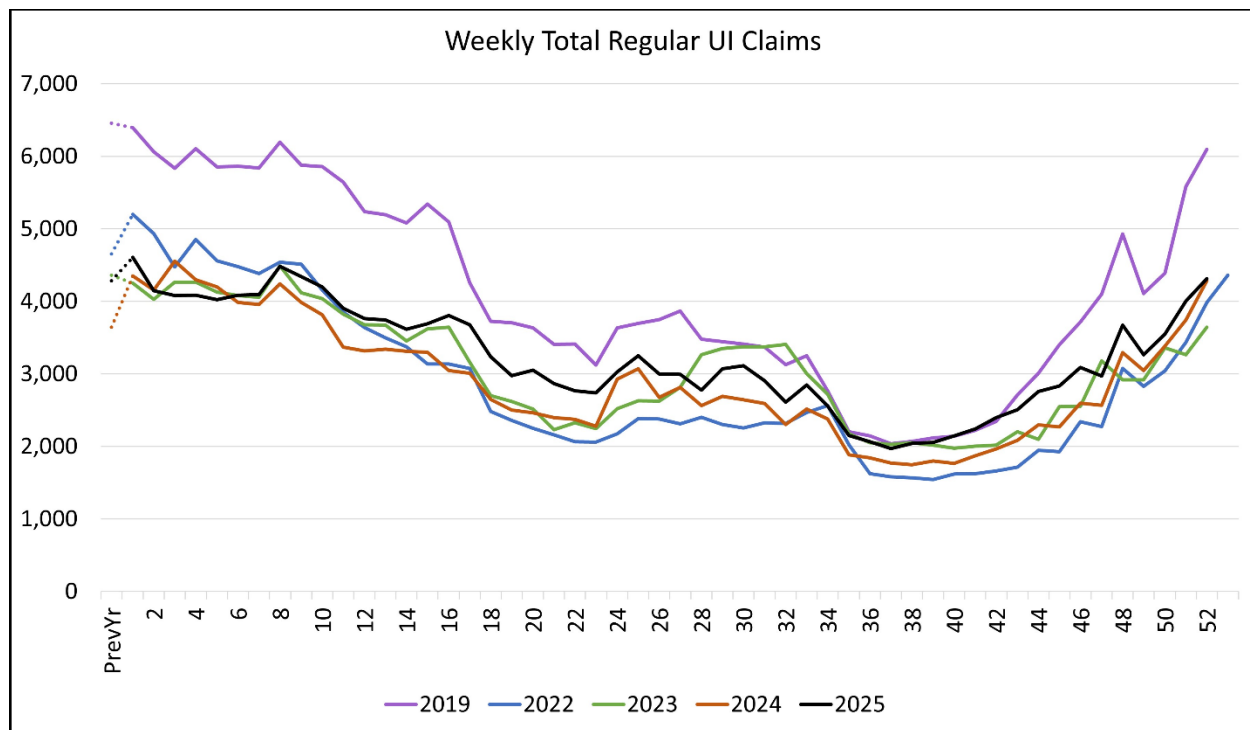


Figure 2 – Weekly Total Regular UI Claims 2019-2025 (2020-2021 removed)

2025 UI STATISTICAL INFORMATION

With a yearend balance of \$320.9M in 2025, the Trust Fund recorded its fourth consecutive year of noticeable growth. The Fund grew by \$10.9M or 3.5% during the past year. As previously mentioned, 83.7% of this growth was due to \$9.1M in earned interest on the fund balance. Excluding interest, the UI TF increased by \$1.8M or 0.6%, which makes 2025 the slowest growing year within this four-year period of consecutive growth.

The three main components impacting the balance available for paying benefits are contributions received by tax-paying employers (increases the fund balance), benefits paid out to claimants (decreases the fund balance), and interest accrued on the UI TF balance (increases the fund balance).

Contribution Related Notes:

- The State received \$71.3M in employer contributions (an increase of \$3.8M or 5.6% over the prior year).
- The Taxable Wage Base (TWB) for CY2025 was \$14,800 (an increase of \$500 or 3.7% over the prior year). The TWB for CY2026 is \$15,400 (+4.2%)
- The State received \$9.1M in accrued interest for CY2025 (based on an estimated average interest rate of 2.8%).

As with benefits being paid out, the employer contributions being paid into the fund follow a consistent seasonal pattern. Contributions are based on a taxable wage base that is reset at the

start of each calendar year. Though the amount of contributions owed begins accruing at the start of the quarter, the contributions are not due until after the quarter closes. This means that the largest quarter receiving money into the UI TF is quarter two (Q2) because the largest amount of wages that are taxed occurs in Q1. As the year progresses, more employees hit the taxable wage base threshold, meaning the amount owed in each subsequent quarter declines.

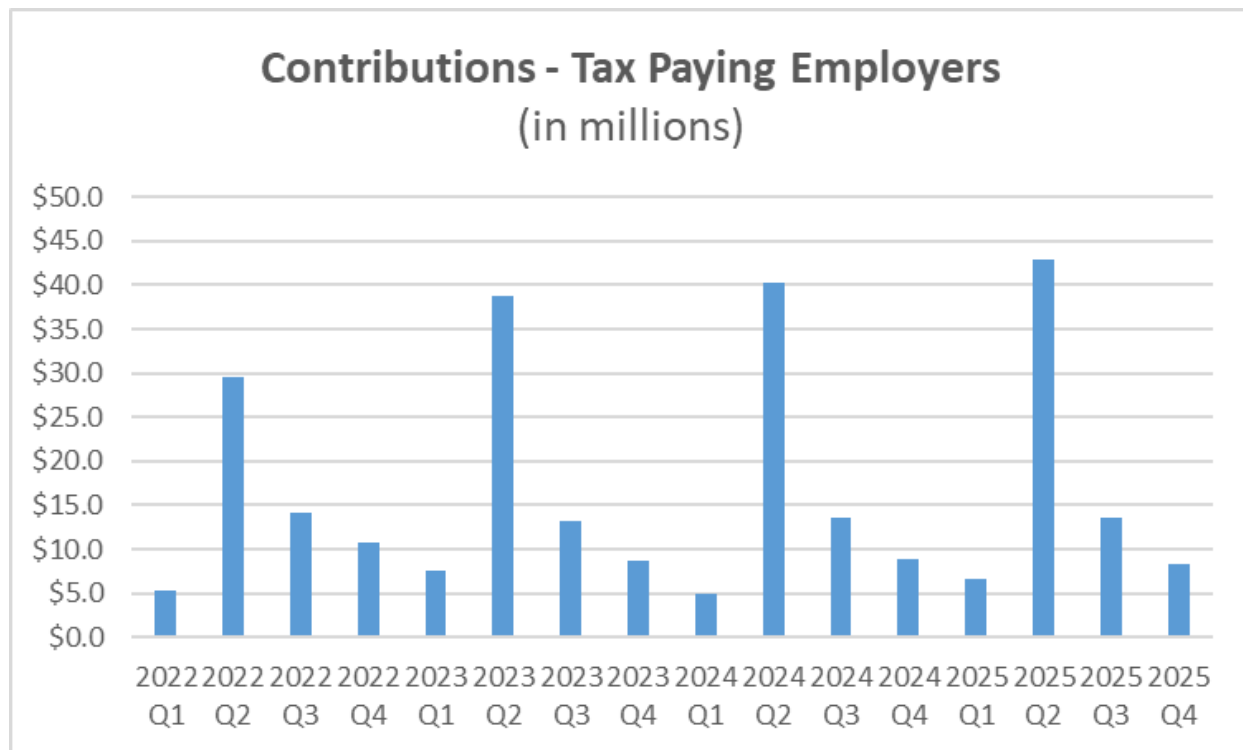


Figure 3 – UI Trust Fund Contributions from Tax Paying Employers, in millions

The pattern of UI claims activity follows the seasonal nature of certain industries in Vermont. The biggest driver of seasonal claims activity is construction, which slows down during the winter months. This means UI activity is at its highest levels from December to April.

Benefit Related Notes:

- The State paid out \$69.6M in benefits (an increase of \$10.6M or 18.0% over the prior year).
- The Maximum Weekly Benefit Amount (MWBA), including the \$60 rider (see page 6), as of July 1, 2025, was \$757 per week (an increase of \$28 or 3.8% over the prior year). In CY2025, the average benefit for total UI benefits was \$565 per week (up 4.4%), and the average length of filing was 11.8 weeks (up 0.1 weeks from prior year).

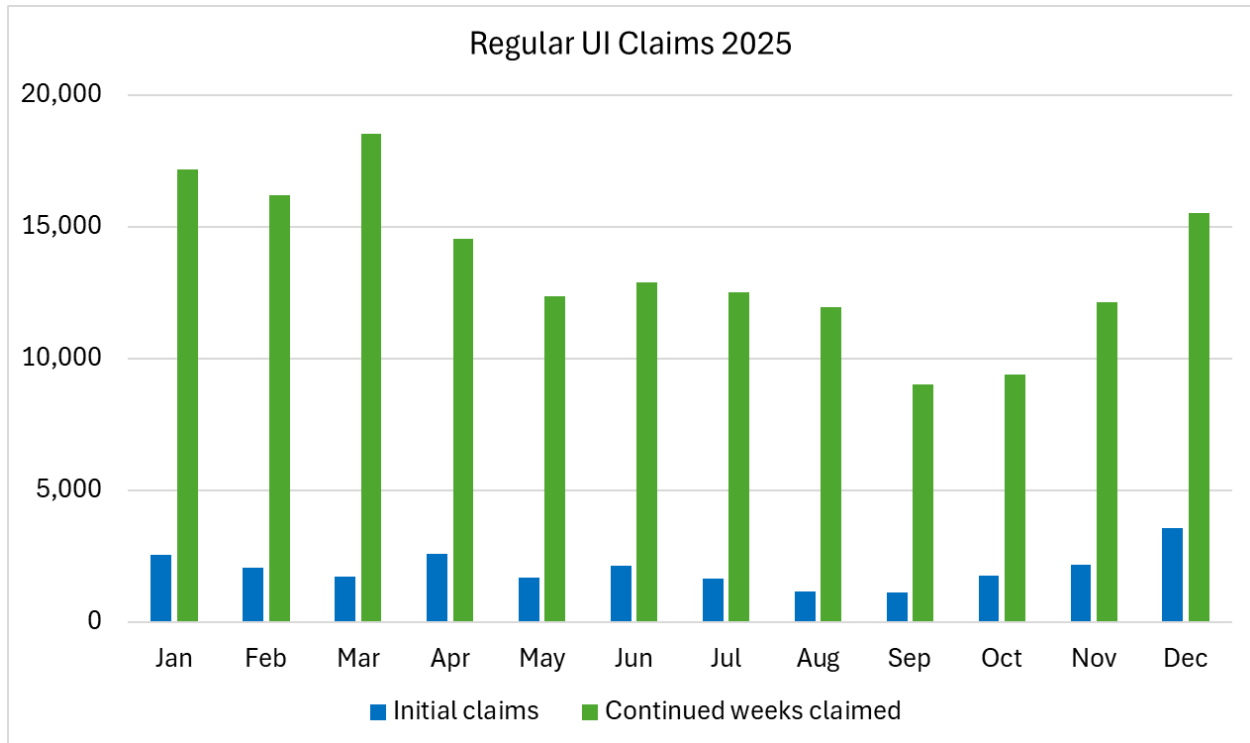


Figure 4 – Regular UI Claims in 2025, monthly

IMPLEMENTATION OF \$60 MAXIMUM WEEKLY BENEFIT AMOUNT INCREASE

In 2022, the General Assembly passed Act 183, which amended the MWBA calculation for those receiving unemployment insurance benefits. Specifically, Act 183 amended 21 V.S.A. § 1338(f) to artificially increase the maximum weekly benefit amount by \$60 each time the new MWBA was calculated until a total of \$8M has been paid out of the UI Trust Fund¹. As of the week-ending date of January 17, 2026, 95.3% of the \$8M had been paid out to claimants. Once this \$8M is exhausted, the \$60 “rider” to the maximum weekly benefit will continue until the new UI system is launched. Once live, the \$60 increase to the maximum benefit amount will be replaced by a \$25 increase to all weekly benefit amounts in the new system.

UI TRUST FUND – LOOKING FORWARD

In partnership with the U.S. Department of Labor’s Employment and Training Administration (ETA), the Vermont Department of Labor maintains a statistical model used for forecasting Vermont’s UI TF net balance². This analytical tool is effective in long-run assessments of the overall flow of monies into and out of the UI TF. It is also useful in determining the incremental impact of proposed policy changes. Unfortunately, since the 2020 recession, this statistical model has not been able to be stabilized to perform economic forecasts. Work is ongoing with federal partners to determine the next steps. In the interim, UI TF projections are manually created based

¹ See 2021, No. 183 (Adj. Sess.), Sec. 52b and Sec. 59.

<https://legislature.vermont.gov/Documents/2022/Docs/ACTS/ACT183/ACT183%20As%20Enacted.pdf>

² The ETA UI TF model currently functions as a ‘net’ concept in that the individual UI accounts (loan account, cash account, etc.) are rolled up into a net concept. Out of model analysis is necessary to decipher model results.

on historical data on an annual basis. This is an iterative process due to the State's UI laws prescribing an annual determination of the tax rate schedule.

The UI TF is stable and in a position of relative strength, as evidenced by the annual calculation to determine the tax rate schedule, which is currently tax rate schedule I - the lowest of the five schedules. This is due to the size of the current UI TF balance versus the historical utilization of the Fund. This historic lookback is absent from consideration of the calendar year 2020 due to legislative changes that ignore the worst year of the COVID-19 recession. This legislation avoided increasing the tax rate schedule, which would have occurred otherwise.

Estimated UI TF Balance Needed for Tax Rate Schedule

| <u>Tax Rate Schedule</u> | <u>UI TF Balance</u> |
|--------------------------|----------------------|
| I | > \$288.6M |
| II | \$230.9M < \$288.6M |
| III | \$173.2M < \$230.9M |
| IV | \$115.4M < \$173.2M |
| V | < \$115.4M |

Note: in 2025 dollars;

Figure 5 – Estimated UI Trust Fund Balance Needed for Tax Rate Schedule

Against other states, the health of Vermont's UI TF ranks 22nd in the country per USDOL as of January 2025 (<https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2025.pdf>).

Through the use of tax rate schedules and taxable wage bases, the UI TF is meant to “self-regulate,” in that there are natural triggers which increase contributions in the event the Fund is lagging. This is important to remember as there are current trends that present downside risk to the Fund balance. The first and smallest risk to the Fund is the primary generator of over-the-year growth in the fund is earned interest. Should the balance decline, the amount of interest will also decline. The second risk is much larger and feeds back into the first risk, which is that benefits are growing faster than contributions. Earned interest could continue to exceed the difference keeping the Fund cash positive in current economic conditions; however, should economic conditions worsen, the amount of benefits paid could increase rapidly. This has the potential to quickly strain the UI TF in the event of a sustained economic downturn, and would lead to conversations about adjusting the annual calculation which sets the tax rate schedule. This rate increase is not immediate relief to the Fund as it takes several quarters to see meaningfully higher levels of contributions. Over time though, this mechanism will stabilize the Fund. The graph below illustrates how the UI TF would respond to a small and a moderate recession.

ECONOMIC RISKS

There is significant national and international economic uncertainty. Some areas of concern which could impact the conclusions of this report are potential changes to the US's international trade policy, the escalation of international entanglements, increased domestic unrest, energy prices, natural disasters, and changes to immigration policies which could impact labor supply. These are all possible creators of economic disruption.

ADDITIONAL INFORMATION ABOUT UI MODERNIZATION

The Vermont Department of Labor (VDOL) and the Agency of Digital Services (ADS) are collaborating with FAST Enterprises to modernize Vermont's Unemployment Insurance (UI) system. This iteration of modernization commenced in September 2024, with the planned rollout date of the new system scheduled for spring/summer 2026. VDOL is currently in the testing phase, which began in September 2025.

The Old System

We currently have a 55+ year-old mainframe system from 1970. The system's functionality, capabilities for changes, enhancements, and new program requirements, as well as the resources available to continue supporting it, are limited. Due to the age and limitations of the current system, we experience unexpected downtime with periodic interruptions, which prevent customers, including claimants, employers, and third-party administrators (TPAs), from receiving the timely service they need. This was exacerbated during the COVID-19 pandemic, pushing the State and Legislature to collaborate on finding funding for and supporting the modernization project for Vermont's Unemployment Insurance (UI) system.

The New System: Goals and Success

The modernized system aims to enhance our current capabilities, integrate and streamline processes, and deliver improved and efficient service to our customers. The new system will allow the Department to:

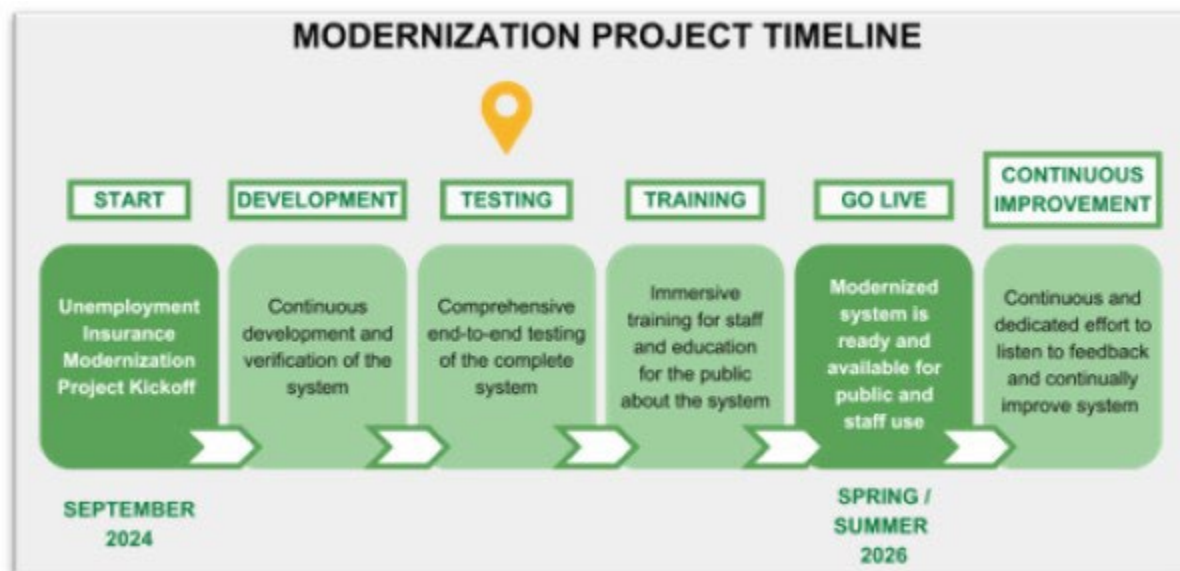
- Process claims and reports timely
- Provide a self-service platform that allows users to easily file, manage, and track claims, payments, and reports using any device 24/7
- Reduce processing time without manual intervention and reduce many current manual processes
- Add several levels of fraud prevention and detection measures
- Adhere to accessibility best practices, as all outgoing forms, requests, and communications in the new system will be put through software called Readable, which scores text to measure whether it is likely to be understood by the intended reader

Additionally, the Department is working to ensure accessibility by creating Spanish translations of the claimant portal and handbook for claimants, as well as translating claimant vital documents into the 14 most commonly spoken languages in Vermont, with funding support from the Office of Racial Equity. Step-by-step UI instructional videos translated into the 20 most

common languages in Vermont have also been created, and all determinations are sent with a Babel notice.



Benefits and objectives of the modernization project



Testing

| Testing Phases | Start Date | End Date | Status |
|--------------------------------------|------------|-----------|-------------|
| Perform Business Testing | 9/2/2025 | 2/20/2026 | In-Progress |
| Perform Converted Data Testing | 9/8/2025 | 3/20/2026 | In-Progress |
| Conduct Performance Testing | 2/16/2026 | 3/13/2026 | Future Task |
| Perform End-to-End Testing | 2/23/2026 | 4/24/2026 | Future Task |
| Perform Application Security Testing | 1/26/2026 | 2/20/2026 | Future Task |

Additional information about the project can be viewed here:

- <https://labor.vermont.gov/employvt-ui>
- <https://legislature.vermont.gov/Documents/2026/Workgroups/JITOC/Tech%20Updates/W~Kendal%20Smith~UI%20Modernization~9-30-2025.pdf>

END OF REPORT