

Department of Planning and Budget

2002 Fiscal Impact Statement

1. **Bill Number** HB1336

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☒ Enrolled

2. **Patron** Armstrong

3. **Committee** Senate Commerce and Labor

4. **Title** Unemployment compensation benefits

5. **Summary/Purpose:** The bill codifies the 37.3 percent temporary increase (through March 9, 2002) in unemployment benefits for each weekly benefit amount, authorized by Executive Order 86(01). It also continues the 37.3 percent increase until January 1, 2003. Beginning January 1, 2003, the bill would provide an 18.7 percent increase in each weekly benefit amount above the amount as authorized in statute prior to Executive Order 86(01). Therefore, the maximum weekly benefit amount would decrease from \$368 to \$318 on January 1, 2003. On January 1, 2004, the 18.7 percent increase in the maximum weekly benefit amount would expire and the maximum benefit amount would revert to the amount provided for by law, prior to Executive Order 86(01), which was \$268.

The bill contains a second enactment clause that makes the increase in benefits retroactive to September 9, 2001. The bill also contains an emergency clause that would make the bill effective upon passage.

6. Fiscal Impact Estimates are Final:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02	\$45.4 million	0.00	NGF
2002-03	\$106.9 million	0.00	NGF
2003-04	\$25.6 million	0.00	NGF
2004-05	\$0.0	0.00	NGF
2005-06	\$0.0	0.00	NGF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02	\$0.0	0.00	NGF
2002-03	\$12.6 million	0.00	NGF
2003-04	\$47.6 million	0.00	NGF
2004-05	\$70.0 million	0.00	NGF
2005-06	\$65.0 million	0.00	NGF

7. **Budget amendment necessary:** No.

- 8. Fiscal implications:** The bill would increase the maximum weekly benefit amount by 37.3 percent from March 9, 2002 through December 30, 2002 and would increase the maximum weekly benefit amount by 18.7 percent for calendar year 2003. Therefore, the Commonwealth would experience increased expenditures for unemployment benefits. The fiscal impact in fiscal year 2002 represents the increase in benefits from the March 9, 2002 expiration of Executive Order 86(01) until the end of the fiscal year.

The revenue impact reflects higher employer taxes but decreased interest revenues as a result of lower trust fund balances. The additional benefits paid out would be charged to employers. Employer tax rates are based upon their previous four years of benefit charges and thus it would take four years before the full effect of the benefit increase was reflected by higher tax rates. Therefore, the expenditure impact exceeds the revenue impact in the short term.

For comparison, the impact of this bill on the average tax per employee per year (paid by employers) is projected to increase above the standard forecast (see following table).

Year End (12/31)	Average Tax (Standard Forecast)	Average Tax (Impact of HB1336)	Difference
2003	\$69.07	\$75.44	\$6.37
2004	\$82.02	\$101.82	\$19.80
2005	\$100.04	\$120.98	\$20.94
2006	\$106.55	\$123.02	\$16.47

The current economic downturn is having an impact on the solvency of the unemployment trust fund. The standard forecast (under current law) projects the solvency level of the fund to fall from the current 100 percent to about 80 percent in fiscal year 2004. The additional impact of this bill would further reduce the solvency level by fiscal year 2004.

- 10. Technical amendment necessary:** No.

- 11. Other comments:** SB663 is a companion bill introduced by Senator Hawkins that has passed both houses.

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cc: Secretary of Commerce and Trade