

Department of Planning and Budget

2002 Fiscal Impact Statement

1. Bill Number SB663

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

2. Patron Hawkins

3. Committee Commerce and Labor

4. Title Unemployment compensation benefits

5. Summary/Purpose: The bill increases the weekly benefit amount for unemployment compensation by 37.3 percent. The maximum weekly benefit amount would increase from \$268 to \$368 and the minimum weekly benefit amount would increase from \$50 to \$69. This bill would extend the temporary increase in unemployment benefits, authorized by Executive Order 86(01), until July 6, 2003. On July 7, 2003 the weekly benefit amount would revert to the amounts provided for by law, prior to Executive Order 86(01).

The bill contains a second enactment clause that makes the increase in benefits retroactive to claims filed, or claimants receiving benefits, on or after 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	\$140.8 million	0.00	NGF
2003-04	\$0.0	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	\$13.5 million	0.00	NGF
2003-04	\$57.2 million	0.00	NGF
2004-05	\$78.0 million	0.00	NGF
2005-06	\$66.1 million	0.00	NGF

7. Budget amendment necessary: Yes, Item 130.

8. Fiscal implications: The bill would increase the maximum weekly benefit amount by about 37.3 percent statewide, thus increasing expenditures for unemployment benefits. The increase in fiscal year 2002 represents the benefit extended from the March 9, 2002 expiration of Executive Order 86(01) until the end of the fiscal year. The fiscal year 2004 expenditure impact is slightly less than fiscal year 2003 due to lower unemployment projections.

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 SB663)	Difference
2003	\$69.07	\$76.24	\$7.17
2004	\$82.02	\$106.11	\$24.09
2005	\$100.04	\$121.26	\$21.22
2006	\$106.55	\$123.37	\$16.82

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.

9. Specific agency or political subdivisions affected: Virginia Employment Commission.

10. Technical amendment necessary: No.

11. Other comments: HB1336 is a companion bill introduced by Delegate Armstrong.

Date: 01/30/02/mst

Document: G:\GaSessions\2002Session\Fis\Sb663S1.Doc

cc: Secretary of Commerce and Trade