

Department of Planning and Budget 2003 Fiscal Impact Statement

1. Bill Number HB1929

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

2. Patron Nixon

3. Committee Labor and Commerce

4. Title Unemployment compensation; weekly benefit amount

5. Summary/Purpose: The bill would establish unemployment benefit levels as follows: the current benefit tables (\$318 maximum benefit) would continue in effect through July 5, 2003. Beginning on July 6, 2003 an individual's benefits would be 52 percent of his previous weekly wages during the two highest quarters in his base period up to the maximum weekly benefit. This reduction is scheduled to take place in current law on January 1, 2004, and would be a 15.7% decrease in benefits for a six-month period as provided in current law. The maximum benefit would be decreased to \$316 from its current level of \$318, but would not revert to \$268 on January 1, 2004 as is provided for under current law.

6. Fiscal Impact Estimates are preliminary:

6a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	(\$3.3 million)	-	NGF
2004-05	\$17.6 million	-	NGF
2005-06	\$25.3 million	-	NGF

6b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2003-04	\$0.0	-	-
2004-05	(\$700,000)	-	NGF
2005-06	\$400,000	-	NGF

7. Budget amendment necessary: Yes, Item 130.

8. Fiscal implications: The bill would decrease unemployment benefits from the period July 6, 2003 through January 1, 2004 to a 52 percent replacement rate of wages. The bill would provide higher benefits than under current law from the period beginning January 1, 2004, when the maximum weekly benefit amount would have otherwise reverted to \$268. This bill provides a maximum weekly benefit of \$316 after January 1, 2004. Therefore, benefit payments will be reduced somewhat in fiscal year 2004 due to lower benefits in the first six months of the fiscal year.

Therevenueimpactreflectshigheremployertaxesbeginninginfiscalyear2006and increasedinterestrevenuesasaresultofhighertrustfundbalances.Theadditionalbenefits paidoutwouldbechargedtoemployers.Employertaxratesarebasedupontheirprevious fouryearsofbenefitchargesandthusitwouldtakefouryearsbeforethefulleffectofthe benefitincreasewasreflected byhightaxrates.Therefore,theexpenditureimpactexceeds therevenueimpactintheshort-term.

Forcomparison,theimpactofthisbillontheaveragetaxperemployeeperyear(paidby employers)isprojectedtochangefromthestandardforecast (seefollowingtable).

YearEnd (12/31)	AverageTax (StandardForecast)	AverageTax (ImpactofHB1929)	Difference
2004	\$155.36	\$155.36	\$0.00
2005	\$171.39	\$171.02	(\$0.37)
2006	\$150.99	\$151.44	\$0.45
2007	\$116.34	\$118.08	\$1.72

Thecurrenteconomic downturnishavinganimpactonthesolvencyoftheunemployment trustfund.Thestandardforecast(undercurrentlaw)projectsthesolvencylevelofthefund tofallfromthecurrent80percenttoabout40percentin2005.Thisbillwouldhaveno impactonthesolvencyleveluntil2008.

9. Specificagencyorpoliticalsubdivisionsaffected: VirginiaEmploymentCommission.

10. Technicalamendmentnecessary: No.

11. Othercomments: None.

Date: 01/21/03/mst

Document: G:\GaSessions \2003Session \Fis\Hb1929.Doc

cc:SecretaryofCommerceandTrade