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** Passed Both Houses

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 percent decrease in benefits for a six-month period as provided in current law. The maximum benefit would be decreased to $316 from it's current level of $318, but would not revert to $268 on January 1, 2004 as is provided for under current law. Beginning on July 4, 2004, the maximum weekly benefit amount would increase to $326.

6. **Fiscal Impact Estimates are preliminary:**

6a. Expenditure Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2003-04	($3.3 million)	-	NGF
2004-05	$22.5 million	-	NGF
2005-06	$30.4 million	-	NGF

6b. Revenue Impact:

Fiscal Year	*Dollars*	*Positions*	*Fund*
2003-04	$0.0	-	-
2004-05	($700,000)	-	NGF
2005-06	$2.1 million	-	NGF

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

8. **Fiscal implications:** The bill would establish the maximum weekly benefit amount to be 45 percent of the 2001 average weekly wage ($316) and reduce the replacement rate of wages below the maximum from 61.7 percent to 52 percent, beginning July 6, 2003. This would result in a reduction of unemployment benefits six months prior to such reduction as provided for in current law. Therefore, there would be a decrease in benefit expenditures in fiscal year 2004. However, benefit expenditures would increase over the standard forecast after January 1, 2004 since the maximum weekly benefit amount will be at $316 instead of the $268 that it would otherwise be reduced as provided for in current law. Beginning on July 4, 2004, the

benefit expenditures would further increase because of the higher maximum weekly benefit amount of $326.

All expenditures of unemployment benefits are made from the Unemployment Trust Fund, which is funded from employer taxes. The revenue impact reflects slightly lower employer taxes beginning in fiscal year 2005 due to the reduction in benefits six months earlier than under the standard forecast. However, as higher benefits occur after January 1, 2004 employer taxes will begin to increase beginning in fiscal year 2006. Also, interest revenues will increase as a result of higher 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 change from the standard forecast (see following table).

Year End (12/31)	Average Tax (Standard Forecast)	Average Tax (Impact of HB 1929)	Difference
2004	$155.36	$155.36	$0.00
2005	$171.39	$171.02	($0.37)
2006	$150.99	$152.24	$1.25
2007	$116.34	$121.62	$5.28

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 80 percent to about 40 percent in 2004. This bill would have no impact on the solvency level until 2007.

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

10. **Technical amendment necessary:** No.

11. **Other comments:** The fiscal impact estimates are generated by the Virginia Employment Commission, which uses a benefit financing model developed by the U.S. Department of Labor.

Date: 03/10/03 / mst
Document: G:\Ga Sessions\2003 Session\Fis\Hb1929ER.Doc

cc: Secretary of Commerce and Trade