Department of Planning and Budget
2011 Fiscal Impact Statement

1. **Bill Number:** SB1401

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

2. **Patron:** McEachin

3. **Committee:** Commerce and Labor

4. **Title:** Unemployment benefits; eligibility criteria.

5. **Summary:** This bill provides that certain individuals who have exhausted eligibility for unemployment benefits and who are enrolled in approved training programs are eligible for up to 26 weeks of additional benefits. The measure also provides that an individual who voluntarily separates from employment is not disqualified from receiving unemployment compensation benefits if the separation is for a compelling family reason, which is defined as domestic violence, the illness or disability of a member of the individual's immediate family; or the need for the individual to accompany such individual's spouse to a place from which it is impractical for such individual to commute and due to a change in location of the spouse's employment. The bill contains two enactment clauses: (1) states that the bill may have an annual net revenue increase of $4,425; and (2) repeals the third enactment clause of Chapter 878 of the 2009 Acts of Assembly. By repealing this clause, individuals can receive unemployment benefits if they voluntarily leave employment to follow a military spouse assigned to a new duty station.

6. **Budget Amendment Necessary**: Yes, Item 115.

7. **Fiscal Impact Estimates:** Preliminary.

7a. Expenditure Impact: Unemployment Trust Fund

Fiscal Year	*Dollars*	*Fund*
2011	$0	n/a
2012	$13.6 million	Nongeneral
2013	$11.8 million	Nongeneral
2014	$10.1 million	Nongeneral
2015	$9.6 million	Nongeneral
2016	$9.9 million	Nongeneral
2017	$10.2 million	Nongeneral

7b. Revenue Impact: Unemployment Taxes

Fiscal Year	*Dollars*	*Fund*
2011	$0	n/a
2012	$0	n/a
2013	$2.2 million	Nongeneral

2014	$5.1 million	Nongeneral
2015	($1.3 million)	Nongeneral
2016	($5.1 million)	Nongeneral
2017	($6.2 million)	Nongeneral

7c. Revenue Impact: General fund

Fiscal Year	*Dollars*	*Fund*
2011	$0	n/a
2012	$0	n/a
2013	($6,600)	General
2014	($15,300)	General
2015	$3,900	General
2016	$15,300	General
2017	$18,600	General

8. **Fiscal Implications:** The Virginia Employment Commission (VEC) estimates that paying unemployment insurance for those employees leaving for compelling family reasons and extending an additional 26 weeks of benefit payments to individuals who have exhausted their benefits but are enrolled in state-approved training programs will decrease the unemployment tax cost per employee by an average of $0.49 over the next eight years.

   Payment of unemployment taxes lowers corporations' taxable income. According to VEC, this bill will result in an impact on general fund revenues estimated at an average increase of $4,425 annually (based on an eight-year average).

   Included in the estimates listed above is a one-time allotment of $125.5 million in American Recovery and Reinvestment Act (ARRA) funding that this bill would qualify Virginia to receive. This funding would be deposited into the Unemployment Trust Fund to be available to cover the cost of these expanded benefits. With these additional ARRA funds, VEC could borrow less from the federal government to make necessary unemployment benefit payments. By lowering the balance of the total monies borrowed, this bill would also lower the amount of interest that Virginia owes to the federal government on the loans. Currently, the interest payments due are anticipated to equate to $11.9 million by September 30, 2011, and $8.3 million by September 30, 2012. If passed, this bill would result in a decrease in the interest amounts owed to approximately $10.9 million by September 30, 2011, (a $1.0 million decrease) and $4.8 million by September 30, 2012, (a $3.5 million decrease).

   Included in the Introduced Budget Bill (SB800) is $8.9 million in general fund appropriation and $3.0 million in nongeneral fund appropriation in FY 2012 for the interest payment due by September 30, 2011, and intent language to provide sufficient general and nongeneral fund appropriation in FY 2013 for the interest payment due by September 30, 2012. The Senate amendments to the Introduced Budget Bill remove the $8.9 million general fund appropriation but include language stating the intent of the General Assembly to seek a deferral of the interest by Congress. Should the interest not be deferred, the Senate language authorizes the Governor to make the interest payment out of the general fund appropriation set-aside in Item 256 for the Revenue Stabilization Fund. As this bill would decrease the amount due by September 30, 2011, this would affect the appropriations in Item 115 and the language in Item 115 E. of the Introduced Budget Bills. It needs to be determined whether any decrease to the amount of interest owed would be subtracted from the general fund appropriation of $8.9 million (under VEC in the Introduced Budget Bill, or under Item 256 according to the Senate budget amendment), or VEC's nongeneral fund appropriation of $3.0 million. Any future appropriations for the interest payment due by September 30, 2012, would be adjusted accordingly.

9. **Specific Agency or Political Subdivisions Affected:** Virginia Employment Commission.

10. **Technical Amendment Necessary:** No.

11. **Other Comments:** This bill is virtually identical to SB239 from the 2010 General Assembly Session in its intent to extend benefits and qualification for benefits to certain populations. However, the fiscal impact statements for the two bills vary greatly due to:

- An additional year of real data as opposed to forecast data. The standard forecast in 2011 reflects less in benefits paid and in employer taxes compared to the 2010 standard forecast.

- A drop in the percentage of the "insured" workforce as compared to the total workforce. The insured workforce represents those employees whose employers are paying the unemployment insurance benefits payroll tax. This percentage is one of the key data inputs for the trust fund forecasting model.

- A combination of the two variables listed above has resulted in a decrease in benefit payments and employer taxes as compared to previous forecasts. Additionally, it results in a recovery of the solvency of the trust fund faster than was forecast. Consequently, employers are able to move to lower tax tables sooner than was expected, accounting for this fiscal impact statement's projection that shows employer taxes decreasing.

Date: February 11, 2011

c: Secretary of Commerce and Trade