Department of Planning and Budget
2011 Fiscal Impact Statement

1. **Bill Number:** SB1474

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

2. **Patron:** Whipple

3. **Committee:** Commerce and Labor

4. **Title:** Unemployment compensation; shared work programs.

5. **Summary:** This bill establishes a shared work program that provides employers with the option of reducing the hours worked by employees, while permitting the employees whose hours are reduced to receive partial compensation for lost wages. Program participation requires Virginia Employment Commission (VEC) approval of a plan, which must provide that the reduction in hours of work is in lieu of a layoff of an equivalent percentage of employees, and those employees' fringe benefits cannot be reduced or eliminated during the plan. Employees must be available to work and available for full-time work with a participating work sharing employer.

6. **Budget Amendment Necessary**: Yes, Item 115 (see item 8, below).

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

7a. Expenditure Impact: Unemployment Trust Fund

Fiscal Year	*Dollars*	*Fund*
2011	$0	n/a
2012	$4.4 million	Nongeneral
2013	$3.8 million	Nongeneral
2014	$3.3 million	Nongeneral
2015	$3.1 million	Nongeneral
2016	$3.2 million	Nongeneral
2017	$3.3 million	Nongeneral

7b. Revenue Impact: Unemployment Taxes

Fiscal Year	*Dollars*	*Fund*
2011	$0	n/a
2012	$0	n/a
2013	$1.5 million	Nongeneral
2014	$1.8 million	Nongeneral
2015	$3.4 million	Nongeneral
2016	$2.4 million	Nongeneral
2017	$12.6 million	Nongeneral

7c. Revenue Impact: General fund

Fiscal Year	*Dollars*	*Fund*
2011	$0	n/a
2012	$0	n/a
2013	($4,500)	General
2014	($5,400)	General
2015	($10,200)	General
2016	($7,200)	General
2017	($37,800)	General

8. **Fiscal Implications:** VEC estimates that permitting employees whose hours are reduced in accordance with an approved shared work program to receive partial compensation for lost wages will increase the unemployment tax cost per employee by an average of **$1.22** over the next eight years.

   Payment of unemployment taxes lowers corporations' taxable income, thereby decreasing the amount of income tax revenue received by the state. Accordingly, VEC estimates that this bill will impact general fund revenues by an annual reduction of **$13,688**, based on an eight-year average**.**

   Currently, 18 states have work share programs similar to the one this bill creates. Calculations of a likely fiscal impact are based on a weighted average among the states of the increased number of weeks of benefits paid that were attributable to the work share programs. This weighted average for all 18 states is 0.75 percent. However, Maryland only experienced an increase in benefit payments attributable to work share programs of 0.16 percent. As such, it is possible that the increase in benefit payments for Virginia would be less than the estimates included in this statement, which are based on the average nationwide estimated increase in benefit payments of 0.75 percent.

   This bill creates additional costs for VEC related to administration and management of the program. Specifically, VEC estimates that the increased workload created by this bill would require two-and-a-half positions at an average salary of $40,113 (current average salary for an employee in the agency's field operations division). Including employee benefit expenses, these positions are estimated to cost $140,897 per year. Non-personal costs associated with these positions are estimated to be an additional $15,000 per year. This bill would also require a reprogramming of the agency's systems, for a one-time estimated cost of $23,554 (based on the personnel costs of one-quarter of one position in the agency's information technology division).

   According to VEC, payment of these expenses (estimated to total $179,451 the first year and $155,897 each year thereafter) is to come out of federal grants that the agency already receives. Specifically, as these responsibilities are related to the payment of unemployment benefits, the associated costs are eligible under the federal unemployment insurance grant. However, the total federal grant amount would not increase to accommodate these additional costs, rather, the agency would need to forgo other responsibilities to support the workload associated with this bill. As such, no additional appropriation for these administrative costs is required.

The requirements of this bill would also expand the scope of the agency's Unemployment Insurance Modernization project, currently in the development stages. Costs associated with expanding the project's scope to accommodate the requirements of this bill are unknown at this time and dependent on a vendor assessment.

Finally, this bill would require VEC to borrow additional monies from the federal government in order to make benefit payments as needed. These borrowed monies are anticipated to result in an additional $300,000 in interest owed to the federal government by September 30, 2011, ($100,000), and September 30, 2012, ($200,000). These interest payments must be made with non-federal monies, and therefore would need to come from agency's special funds, a general fund appropriation, or increased taxes on employers. At this time, there is no appropriation for the additional interest.

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

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

11. **Other Comments:** None.

Date: February 4, 2011

c: Secretary of Commerce and Trade