

Department of Planning and Budget

2014 Fiscal Impact Statement

1. **Bill Number:** SB110

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

2. **Patron:** Stanley

3. **Committee:** Commerce and Labor

4. **Title:** Unemployment compensation; short-time compensation program.

5. **Summary:** Establishes a short-time compensation 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 that employees' health and retirement benefits cannot be reduced or eliminated under the plan. The measure requires the Commission to submit reports on the program's implementation and accomplishments, with recommendations to improve its effectiveness. The measure becomes effective January 1, 2015.

6. **Budget Amendment Necessary:** Yes, Item 121 (HB30/SB30). A nongeneral fund budget amendment in the amount of \$1.3 million in FY 2015 and \$1.4 million in FY 2016 is necessary.

7. **Fiscal Impact Estimates:** Preliminary, see Item 8.

7a. **Expenditure Impact:** Unemployment Trust Fund (benefits paid)

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014			
2015	\$700,000	N/A	NGF
2016	\$1,400,000	N/A	NGF
2017	\$1,300,000	N/A	NGF
2018	\$1,300,000	N/A	NGF
2019	\$1,400,000	N/A	NGF
2020	\$1,400,000	N/A	NGF

7a. **Expenditure Impact:** Start-up Costs

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2014			
2015	\$628,776	N/A	NGF
2016	\$0	N/A	N/A
2017	\$0	N/A	N/A
2018	\$0	N/A	N/A
2019	\$0	N/A	N/A
2020	\$0	N/A	N/A

7c. Revenue Impact: Unemployment Taxes

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2014	\$0	N/A
2015	\$0	N/A
2016	\$0	N/A
2017	\$200,000	NGF
2018	\$200,000	NGF
2019	\$500,000	NGF
2020	\$700,000	NGF

- 8. Fiscal Implications:** The number of employers that may participate in the program cannot be determined at this time, but the estimates are based on data provided from the U.S. Department of Labor for similar programs in other states.

The start-up cost is based on \$465,600 for information technology upgrades (vendor changes in design and implementation of the new automated unemployment insurance system), \$38,176 for training, and \$125,000 for publicity and marketing, for a total cost of \$628,776. VEC notes that they intend to apply for a federal grant to cover the start-up costs of the program, which they anticipate they would receive.

The Virginia Employment Commission (VEC) estimates that by providing unemployment benefits to claimants participating in the short-time compensation program could increase the unemployment tax cost per employee by an average of \$0.19 over an eight-year (2016-2023) average. However, notwithstanding the model forecasts, the cost of short-time compensation would be borne by the employers who elected to participate.

According to VEC, line 216 of this bill, “0.36” should be stricken, and replaced with “\$0.19”.

Section 30-19.03:1.2, Code of Virginia, requires that bills enhancing unemployment compensation benefits payable to a claimant contain a statement reflecting the projected impact on the solvency level of the unemployment trust fund and the average increase in state unemployment tax liability of employers. Based on information provided to the Department of Planning and Budget, the third enactment clause of the bill should be updated accordingly.

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

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** None.

Date 01/10/2014
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cc: Secretary of Commerce and Trade