Department of Planning and Budget
2011 Fiscal Impact Statement

1. **Bill Number:** SB1113

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

2. **Patron:** Watkins

3. **Committee:** Passed Both Houses

4. **Title:** Unemployment compensation; Social Security offset.

5. **Summary:** This bill eliminates the requirement that unemployment compensation benefits be reduced by 50 percent of the amount of the claimant's Social Security Act or Railroad Retirement Act retirement benefits in years when the solvency level of the unemployment trust fund is less than 50 percent. Currently, such a reduction in unemployment benefits is not required in years when the solvency level of the unemployment trust fund exceeds 50 percent. The bill contains an enactment clause that estimates the annual net revenue loss resulting from this bill at $7,286.

6. **Budget Amendment Necessary**: No. Any necessary changes to the agency's nongeneral fund appropriation may be made administratively.

7. **Fiscal Impact Estimates:** Final.

7a. Expenditure Impact: Unemployment Trust Fund

Fiscal Year	*Dollars*	*Fund*
2011	$0	n/a
2012	$5.9 million	Nongeneral
2013	$5.1 million	Nongeneral
2014	$4.4 million	Nongeneral
2015	$1.8 million	Nongeneral
2016	$0	n/a
2017	$0	n/a

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	$12.6 million	Nongeneral
2017	$10.7 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	($37,800)	General
2017	($32,100)	General

8. Fiscal Implications: The Virginia Employment Commission (VEC) estimates that eliminating the social security offset to restore full unemployment insurance benefit payments for individuals who simultaneously qualify for social security benefits and unemployment insurance benefits will increase the unemployment tax cost per employee by an average of **$0.69** over the next eight years.

Payment of unemployment taxes lowers corporations' taxable income. According to VEC, the impact on general fund revenues as a result of this bill is estimated at an average reduction of **$9,488** annually. Note that this is higher than the estimated annual net revenue loss of $7,286 listed in the enactment clause of this bill.

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: Yes, line 32, after "revenue loss is" strike "$".

11. Other Comments: This bill is identical to HB2357.

Date: February 15, 2011

c: Secretary of Commerce and Trade