

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB835

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

2. Patron: Hope

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. The measure authorizes an affected employee to participate in a VEC-approved training program sponsored by his shared work employer or any other employer on days that he is not directed to report to work by his shared work employer without reduction in shared work benefits. The bill states that if the U.S. Department of Labor finds that any provision of this measure violates federal law, the finding shall not affect, impair, or invalidate the remaining provisions. Finally, the bill contains an enactment clause that requires VEC to submit reports on the program's implementation and accomplishments, with recommendations to improve its effectiveness.

6. Budget Amendment Necessary: Yes, Item 124.

7. Fiscal Impact Estimates: Preliminary.

7a. Expenditure Impact: Unemployment Trust Fund

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012	\$0	n/a
2013	\$3.9 million	Nongeneral
2014	\$3.3 million	Nongeneral
2015	\$3.1 million	Nongeneral
2016	\$3.1 million	Nongeneral
2017	\$3.3 million	Nongeneral
2018	\$3.3 million	Nongeneral

7b. Revenue Impact: Unemployment Taxes

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012	\$0	n/a

2013	\$0	n/a
2014	\$2.3 million	Nongeneral
2015	\$2.5 million	Nongeneral
2016	\$1.9 million	Nongeneral
2017	\$1.9 million	Nongeneral
2018	\$2.2 million	Nongeneral

- 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 **\$1.18** over the next eight years.

Currently, at least 18 other 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 in 2010 was 0.75 percent. However, Maryland only experienced an increase in benefit payments attributable to work share programs of 0.16 percent in 2010. 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 2010 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 Unemployment Insurance division). Including employee benefit expenses, total cost for these positions is estimated at \$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 implementation stage. Costs associated with expanding the project's scope to accommodate the requirements of this bill would require VEC to submit change orders to the vendor; the additional cost would be dependent

on the nature and scope of the changes required. These costs would be absorbed within current nongeneral fund agency resources.

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

10. Technical Amendment Necessary: No.

11. Other Comments: This bill is identical to SB376, as introduced.

Date: 1/16/2012