

**Department of Planning and Budget
2025 General Assembly Session
State Fiscal Impact Statement**

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ORIGINAL

Bill Number: HB1766 **Patron:** Martinez
Bill Title: Unemployment compensation; increase weekly benefit amounts; report.

Bill Summary: For unemployment compensation claims effective on or after January 1, 2026, an eligible individual’s weekly benefit amount shall be \$100 higher than the current weekly benefit amount, as denoted in the table in the bill. The bill directs the Commission on Unemployment Compensation, in consultation with the Virginia Employment Commission (VEC), to convene a work group to study making annual adjustments to individual weekly benefit amounts based on the average weekly wage. This bill is a recommendation of the Commission on Unemployment Compensation.

Budget Amendment Necessary: See Fiscal Analysis **Items Impacted:** 356.
section.

Explanation: This bill involves the Virginia Employment Commission; see the Fiscal Analysis section for details regarding budget amendment and impact.

Fiscal Summary: It is anticipated that a budget amendment to increase nongeneral fund appropriation may be necessary in the future years. Additionally, VEC anticipates incurring one-time administrative costs estimated at up to \$132,074. If the administrative fee authorized in the Appropriation Act is insufficient to address critical needs within the agency as well as the one-time costs associated with this bill, a general fund amendment will be necessary. See Fiscal Analysis.

Nongeneral Fund Expenditure Impact:

<u>Agency</u>	<u>FY2025</u>	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
VEC (admin)	\$0	\$132,074	\$0	\$0	\$0	\$0
VEC UI Trust Fund	\$0	\$78,768,847	\$157,537,694	\$157,537,694	\$157,537,694	\$157,537,694
TOTAL	\$0	\$78,900,921	\$157,537,694	\$157,537,694	\$157,537,694	\$157,537,694

Fiscal Analysis: This impact statement is preliminary. This bill will increase expenditures from the Unemployment Insurance (UI) Trust Fund due to increased benefit payments. Current weekly benefit amounts for unemployment compensation for eligible individuals will change from a minimum of \$60 to \$160, and the maximum will increase from \$378 to \$478. This impact analysis is based on the average number of compensable weeks and covered employment over the past 19 state fiscal years, excluding FY 2020 and FY 2021. These two years were omitted because the General Assembly enacted legislation during that period to prevent pandemic-era charges from being applied to employers. The estimated additional expenditure is as follows:

- **Average of compensable Weeks (FY06 – FY24 excluding FY20 and FY21): 1,575,377**

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- **Benefit increase per week:** \$100
- **Total additional expenditure from the UI Trust Fund:** \$157,537,694

The increased expenditures and reduced trust fund balance will result in higher employment taxes for employers. To cover this additional expenditure:

- **Average number of employees covered by UI taxes (FY06 – FY24 excluding FY20 and FY21):**
Approximately 3,571,677
- **Average increase in employer taxes per employee:** $\$157,537,694 \div 3,571,677 = \44.11
- **Average increase in employer taxes as a percentage of the taxable wage base (\$8,000):** $\$44.11 \div \$8,000 = 0.55\%$

According to VEC, the agency will incur administrative costs in implementing the provisions of this bill. The costs include an estimated \$26,074 for developing, testing, and implementing the changes needed for a new benefit table as well as increasing claimant and employer communication efforts. This bill requires VEC, beginning October 1, 2025, to participate in a work group to meet at least once each quarter to study making annual adjustments to individual weekly benefit amounts for unemployment compensation and present findings no later than the first day of the 2027 Regular Session of the General Assembly. As part of the work group VEC intends to contract with a meeting facilitator to assist staff with meeting facilitation. In addition, the agency anticipates contracting with an actuarial expert to assist with the work group and the adjustments to the benefit amounts at a cost of \$28,000. If VEC is required to conduct the meetings, including travel costs, supplies and materials, rental of meeting space and A/V, and other meeting related costs, VEC estimates incurring an additional cost of \$78,000.

As a nongeneral fund supported agency, primarily reliant on federal funding, the agency cannot absorb these costs. The Appropriation Act (Item 356 K.1) authorizes VEC to assess an administrative fee equal to .5 percent of taxable wages for purpose of supporting critical technology and staffing requirements in the administration of Virginia's unemployment compensation programs. It may be possible that revenue from this fee could be used to offset the costs of this bill; however, the agency will not be able to begin collecting revenue from this fee until May 2025. If sufficient revenue is not generated to address critical needs within the agency as well as the one-time fiscal impact of this bill, a general fund amendment will be necessary.

Other: SB1056 is the companion to this bill.