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

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ORIGINAL

Bill Number:HB2135Patron:Keys-GamarraBill Title:Unemployment compensation: allowance for dependents.

Bill Summary: Provides that, in addition to the weekly unemployment benefit amount determined by relevant law, an eligible claimant who is unemployed in any week shall be paid an allowance of \$25 for each of up to three dependents of such claimant. The bill defines "dependent" as the child, adopted child, or stepchild of a claimant who, on January 1 of the benefit year, is wholly or partly supported by such claimant and younger than 16 years of age. The bill requires any claimant declaring one or more dependents to provide proof of such dependents in a form and manner prescribed by the Commission in conformance with certain conditions enumerated in the bill. This bill is a recommendation of the Commission on Unemployment Compensation.

Budget Amendment Necessary: Yes. Items Impacted: 356 (VEC)

Explanation: This bill involves the Virginia Employment Commission, and a budget amendment is necessary to implement the provisions.

Fiscal Summary: A general fund amendment of \$7.1 million in FY 2026 and \$2.6 million thereafter is anticipated for VEC to implement this bill. Dependent allowance is not a federal requirement, and as such, federal funding cannot be used to support this program.

General Fund Expenditure Impact:

Agency	<u>FY2025</u>	FY2026	FY2027	FY2028	FY2029	FY2030		
VEC	-	\$7,160,716	\$2,660,716	\$2,660,716	\$2,660,716	\$2,660,716		
TOTAL	-	\$7,160,716	\$2,660,716	\$2,660,716	\$2,660,716	\$2,660,716		
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 UI Trust Fund	-	\$10,680,268	\$21,360,536	\$21,360,536	\$21,360,536	\$21,360,536		
TOTAL		\$10,680,268	\$21,360,536	\$21,360,536	\$21,360,536	\$21,360,536		

Position Impact:

Agency	FY2025	<u>FY2026</u>	<u>FY2027</u>	<u>FY2028</u>	<u>FY2029</u>	<u>FY2030</u>
VEC		41	41	41	41	41

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TOTAL 41 41 41 41						
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Fiscal Analysis: This impact statement is preliminary. The analysis assumes an implementation date of claims filed on or after July 1, 2025, which is not specified in the bill. The bill expands unemployment benefits by providing an allowance of \$25 for each of up to three dependents to eligible claimants in addition to the weekly unemployment benefit amount determined by relevant law. According to Census Data, approximately 30 percent of claimants have dependents. The addition of dependent allowances will result in higher benefit payments from the Unemployment Trust Fund.

To implement this bill, VEC anticipates the need to establish a new dependent benefit unit to develop the program and verify and process claims. In addition, additional staffing in the call center and appeals will be needed to handle inquiries. VEC anticipates the need of 41 full-time employees at an annual cost of \$2.6 million. These costs include salaries, benefits, and indirect costs. In FY 2026, technology upgrades and changes to the UI System will be required. The agency anticipates utilizing outside assistance, with a one-time cost of \$4.5 million. These costs cannot be absorbed as dependent allowance is not a federal requirement, and federal funding cannot be used to support this program.

This bill will increase expenditures from the Unemployment Insurance (UI) Trust Fund due to increased benefit payments. 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. To estimate the potential increase in UI benefit payments, VEC conducted the following calculation:

- Average of compensated weeks (FY06 FY24 excluding FY20 and FY21): 1,575,377
- Percentage of claimants with dependents (based on Census data): 29.8%
- Average number of children per household with dependents: 1.82
- Allowance per dependent: \$25

Calculation: 1,575,377 × 29.8% × 1.82 × \$25 = \$21,360,536

If the dependent allowance is charged to the pool rather than individual employers, the \$21,360,536 expenditure will likely have a minor impact on employment taxes. This is due to the fact that as long as the trust fund solvency rate remains at or above 50 percent, the additional costs can be offset by interest earned on the fund balance. In FY 2024, the trust fund earned \$43,172,411 in interest, which could absorb the increased expenditure without significantly affecting employer tax rates. However, if the dependent allowance is not charged to the pool, the additional expenses may result in an increase of employment taxes estimated at 0.07 percent.

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The bill makes it a Class I misdemeanor for attempting to obtain an allowance for dependents under false or fraudulent representation. Anyone convicted of a Class 1 misdemeanor is subject to a sentence of up to 12 months in jail and a fine of not more than \$2,500, either or both.

There is not enough information available to reliably estimate the increase in jail population as a result of this proposal. However, any increase in jail population will increase costs to the state. The Commonwealth currently pays localities \$5.00 a day for each misdemeanant or otherwise local-responsible prisoner held in a jail. It also funds a large portion of the jails' operating costs, e.g., correctional officers. The state's share of these costs on a per prisoner, per day basis varies from locality to locality. However, according to the Compensation Board's most recent Jail Cost Report (November 2024), the estimated total state support for local jails averaged \$56.38 per inmate, per day in FY 2023.

Other: None.