

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

TOTAL	41	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: $1,575,377 \times 29.8\% \times 1.82 \times \$25 = \$21,360,536$

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.