2010 Unemployment Insurance (UI) reform bill. Upon passage, additional information and resources will be available under "UI Reform" link under "New" at www.labor.vermont.gov.

<u>CONTEXT:</u>

- Failure to act this year will result in borrowing exceeding $163 million by the end of 2011.
- The total cumulative impacts over the next 10 years from doing nothing means:
  - $81 million in interest payments
  - $172 million in FUTA tax payments by <u>ALL</u> Vermont employers
  - Total borrowing exceeding $257 million.
- A comprehensive solution needed to include a combination of tax increases and benefit reductions.

<u>EMPLOYER IMPACTS</u>: (Effective January 1, 2011)

<u>Taxable wage:</u> Increase the taxable wage base (TWB), the basis used for figuring an employer's UI taxes, from the current $10,000 to $13,000 on 1/1/2011 and to $16,000 on 1/1/2012.

- TWB will index upward annually by overall wage growth after the trust fund balance becomes positive, projected to be 2015.
- TWB will drop by $2,000 upon return to tax rate schedule III and another $2,000 at schedule I.

<u>Fines and penalties</u> will be increased from $35 to $100 if employer fails to file timely reports.

- In addition, a fine of up to $5,000 will be assessed on employers who misclassify employees. (VDOL will be conducting public education.)
- An employer's account will remain charged for overpaid unemployment benefits if the overpayment resulted from employer's failure to respond to requested forms to determine workers eligibility AND benefits are later rescinded for whatever reason.

<u>BENEFIT IMPACTS</u>: (Varying effective dates in 2011 and 2012)

<u>Maximum weekly benefit amount</u> remains frozen at $425 while we are borrowing (current law).

- Increases will resume when the fund balance is positive, projected to be July 2015.
- To help make up for the lost increases, the maximum amount will become 57% of the overall average annual wage once we return to tax rate schedule III.
- NOTE: In 2008, only 23% of claimants received maximum amount; average was $312 per week.

<u>Variable total benefit amount</u> will be changed for new claims effective after <u>July 1, 2011</u>.

- Maximum amount will be 46% of the wages claimant earned in the "base period" or 26 weeks, which ever is less.
- NOTE: A worker who works a full year, every year, will not be affected by this change.

<u>Firing for Misconduct</u>: Penalty weeks are expanded from 6-12 to 6-15. These are weeks where UI benefits are delayed but the fired employee can still collect UI after the delay period.

- Findings of misconduct will result in a cap of 23 weeks of benefits.
- NOTES: Misconduct is currently defined as "willful and culpable neglect of an employer's interest," which the employer has the burden to demonstrate. It is NOT a single event of showing up late, but rather repeated negative behavior, usually with warning by the employer. There are three levels of appeals for a finding of misconduct. A lawyer is not required.

<u>Expanded Definition of gross misconduct:</u> findings will prohibit the use of wages earned from firing employer for calculation of claimant's weekly benefit amount.

- Examples of gross misconduct include but are not limited to: theft; fraud; intoxication; intentional serious damage to property; intentional infliction of personal injury; any conduct that constitutes a felony; or repeated incidents after written warning of either of the following: unprovoked insubordination or public use of profanity.

<u>Severance pay</u> will be disqualifying, meaning a person can not draw unemployment at the same time they have received severance pay. The can still collect the full 26 weeks of UI but only after the severance is used