

Fix announced for jobless fund

by Louis Porter Vermont Press Bureau

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MONTPELIER – Legislative leaders and Gov. James Douglas came to a long-awaited agreement on a fix for the ailing unemployment trust fund Monday.

The agreement, which would hit pocketbooks of both employers and workers, was approved unanimously by the Senate a few hours later and will now go on to the House.

The compromise to fix the depleted fund left few happy, but state officials and lawmakers are worried enough about what the hole in the unemployment trust fund that the fix will likely be approved.

The state is having to borrow from the federal government to continue paying unemployment claims, as a long-acknowledged but un-dealt-with structural issue in the fund became a full-blown crisis when the recession forced a spike in those claiming jobless benefits.

Monday Douglas, Senate President Pro Tem Peter Shumlin and Speaker of the House Shap Smith released their version of a compromise measure to deal with the problem over the next half-decade or so.

"We should be back in the black within five years," Douglas said.

The agreement, if accepted by the House, would increase the wage base on which an employer's unemployment insurance taxes are calculated from \$10,000 to \$16,000 by 2012. That would mean an increase of roughly 60 percent in unemployment taxes for employers, who would also face new fines and penalties for misclassification of employees and failure to file reports.

The agreement would also hit benefits for laid-off workers. Maximum weekly benefits would be frozen at \$425 while the state is borrowing from the feds. Douglas had wanted to cut the maximum weekly benefit from \$425 to \$409. Perhaps more significantly, workers would have to wait a week before beginning to collect unemployment benefits.

Under the compromise, it will also be easier for employers to prove gross misconduct when they fire someone, making them ineligible for unemployment insurance. Workers found to have been fired for simple misconduct, being late for work after being warned, for instance, would be able to be prevented from collecting benefits for longer as well.

"It's nothing that any of wanted to do, but we have to," said Rep. Michael Marcotte, R-Coventry, a key legislator working on the issue. Doing nothing to balance the unemployment fund would put the state "in deep, deep trouble," he added.

The impact on both workers and employers will be reduced, on different schedules, as the fund is returned to solvency in several years. Future changes to employer taxes and worker benefits will be indexed so that the state will be less likely to get into another similar mess.

"We all made a mistake," Shumlin said, referring to failure to make changes to stave off the unemployment fund problem earlier. But the solution "is an example of how we get things done in Vermont," he added.

Both Douglas and lawmakers said that making no changes to the unemployment insurance system is unacceptable since it would result in \$160 million in borrowing by the end of 2011.. In addition, legislators and administration officials made it clear that the entire package they have agreed to would have to be taken without major changes to be acceptable to both sides.

Even if those changes are made, it will be some time before the state will no longer have to borrow from the federal government. In all, the state over five years will have to borrow a high of about \$133 million from the federal government and owe \$21 million in interest on that borrowing under current projections.

"I think we can be happy we have a solution, but I don't think anybody will be happy with the details of that solution," Smith said.

He was right about that.

William Driscoll of Associated Industries of Vermont said that while the compromise bill is necessary, it would require "additional pain" from employers who are his members.

"The biggest cost was always going to be on businesses," he added. But "it's less balanced than we had hoped."

His objections were mild compared to those who represent workers.

The cuts to worker benefits "are unjustified and they are unnecessary," said Christopher Curtis of Vermont Legal Aid. The week-waiting period imposed in the compromise risks hurting workers chances of getting back to work, Curtis added.

"The fund is designed to help laid-off workers get back to work as quickly as possible," he said. "People's bills don't wait. It gets people farther and farther behind."