

April 30, 2010

**Capitol Letter, Rep. Kathy Pellett
Chester, Andover, Baltimore, North Springfield**

We are coming into the final week of this legislative session, working long days and nights to finish the work necessary to complete legislation -- without extending the session. This "Capitol Letter" will give you a summary of the Unemployment Insurance Reform Proposal. The Speaker of the House, Shap Smith, Senate President Pro Tem, Peter Shumlin and Governor Douglas have been meeting daily over the past week (at least) to negotiate differences in their proposals. The goal is to have a bill the House and Senate can pass before adjourning on May 8. Even though all the final details have not been agreed upon, it is necessary that a bill start moving through the legislative process even as negotiations are currently underway.

Some of the goals of the current proposal are: Return the trust fund to the black as soon as feasible; return the fund to adequate level (\$300 million) before the next recession to avoid falling back into debt; avoid large tax increases and phase in increases; keep the taxable wage base as low as possible; maintain benefits at or above national averages; address employers that annually pay in less in contributions than their employees annual receive in benefits; and address seasonal unemployment.

A little background: People in Vermont go back to work faster than they do in any other state in the country. Unemployment replaces less than 60% of employees regular wages – a significant reduction in income – and they've lost their health benefits. The maximum weekly benefit in Vermont is \$425, but the average weekly benefit is \$309. That's not a lot to live on when you factor in payments for housing, groceries, health care, car payment among other monthly financial commitments. The taxable wage base hasn't changed since 1973 -- 37 years! Employers are still being taxed on a wage base of only \$8,000. Here are some highlights of the proposal:

- Increases the taxable wage base (TWB) to \$13,000 in 2011 and to \$16,000 in 2012. After reaching \$16,000, the TWB is indexed to the growth of the annual average wage when the trust fund is not running a deficit.
- Freezes the maximum weekly benefit amount at \$425 until 2011. Thereafter, the maximum weekly benefit is indexed to percentage change in the state annual average weekly wage.
- Imposes a 0.5% increase in the contribution rate for employers whose records have been chargeable with benefits for three or more consecutive years. This refers to those employers who pay in less in contributions than their employees receive annually in benefits.
- Imposes a 1-week waiting period before an individual receive benefits. This provision expires in 2014. Requires an individual to participate in re-employment services if directed to do so by the commissioner.
- Limits the maximum yearly benefit an individual can receive to the lesser of either 26 weeks or 48% of the total wages paid to the individual during his or her base period.

If you have any questions or comments regarding Unemployment Insurance Reform or any other issue, please contact me in Montpelier at 1-800-322-5616 or by e-mail at kpellett@leg.state.vt.us until MAY 8, 2010. After that, you may reach me in Chester at kathy4house@vermontel.net. Or 875-1372.