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Unemployment Insurance Trust Fund
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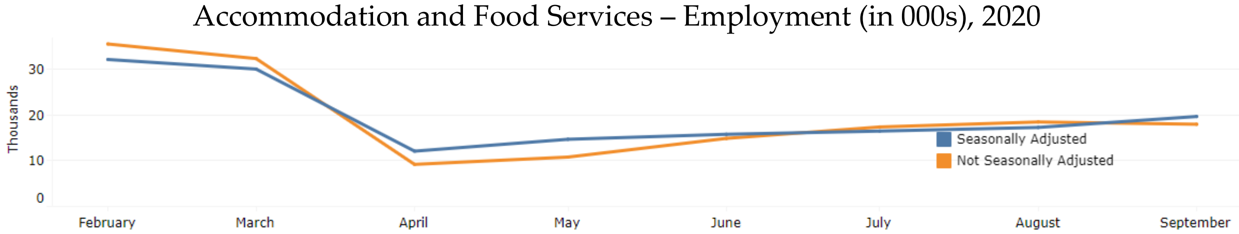
Introduction

The Economic and Labor Market Information Division has prepared the following information. The data below should not be construed as a projection or a forecast as there are too many economic unknowns associated with the COVID-19 pandemic. Instead, please consider these 'scenarios' as illustrations of the resiliency of the unemployment insurance (UI) trust fund (TF) against a potential resurgence of UI payments.

Industry Considerations

The impetus of this exercise is due to an increasing concern of rising COVID-19 cases just before the tourist-heavy winter months. Throughout the pandemic, businesses in the Accommodation and Food Services sector have been the hardest hit. The not-seasonally-adjusted employment in the sector dropped from 35,500 jobs in February to only 9,100 in April. Since then, employment has increased to 17,900 jobs as of the most recent data (September 2020, not-seasonally-adjusted). Even with the recent increases to employment, the sector is down approximately 40% or about 13,000 jobs.

Accommodation and Food Services – Employment (in 000s), 2020



Overall Health of the UI Trust Fund

The UI TF started calendar year 2020 at an all-time high balance with over $500M. Vermont's UI TF was considered one of the healthiest UI reserves in the country relative to the size of the state's economy. Due to the economic downturn caused by a global health pandemic, the UI TF now sits at about 50% of this high point. To understand how the current UI TF could weather a second wave of COVID-19, three scenarios have been developed. In all three scenarios, the current level of regular UI payments is expanded to a localized high point at the end of calendar year 2020. From that point forward, regular UI payments abate at a rate of 2% per week throughout CY2021. Here is a table showing levels of regular UI payments in the three scenarios:

Level of Regular UI Payments - 3 Scenarios

	S1 100% increase (+12.5k payments)	S2 200% increase (+25k payments)	S3 400% increase (+50k payments)
End of Oct 2020	10,594	10,594	10,594
End of Dec 2020	23,094	35,594	60,594
End of Dec 2021	8,077	12,449	21,193

A high level of UI payments across these scenarios is meant to capture any possible "worst-case" scenario. At times, the number of payments exceeds the total employment in the Accommodation and Food Services sector. These greater impacts are meant to capture the economic linkages of other tourist related businesses that would be impacted in the event of a complete shutdown of winter recreation. To convert payments to dollars, an average weekly benefit amount of $325/week is used. This is consistent with the past 6 weeks of regular UI payments.

In addition to the three new scenarios provided here in the table and graph below, two prior scenarios are part of the graph to show how the UI TF has tracked throughout the late summer. In these two prior scenarios, total benefits paid were estimated to decrease 2% weekly. Each line has a date showing when the scenario was completed. As shown here, the actual UI TF balance has trended stronger than these two earlier scenarios (see graph below).

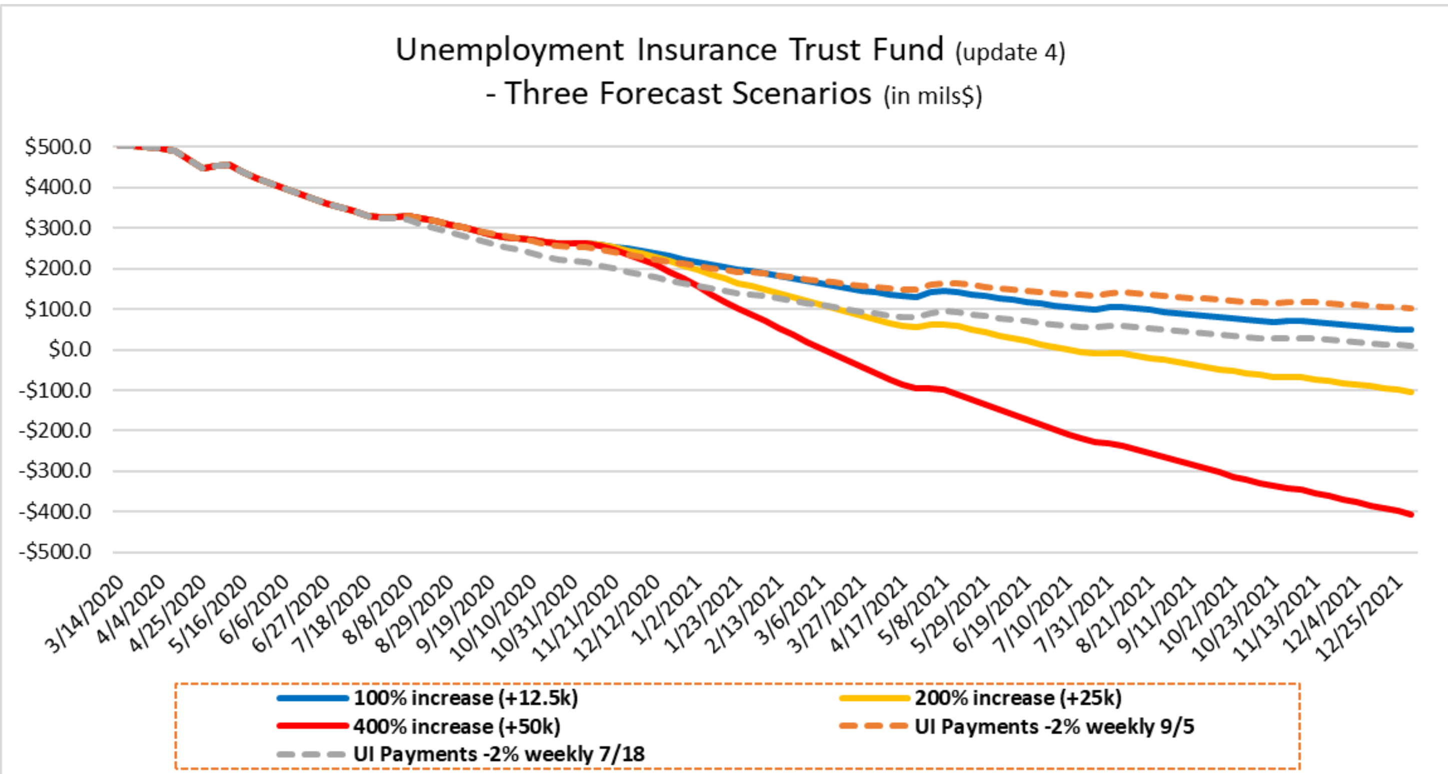
Unemployment Insurance Trust Fund Balance (in millions) **- 3 Scenarios**

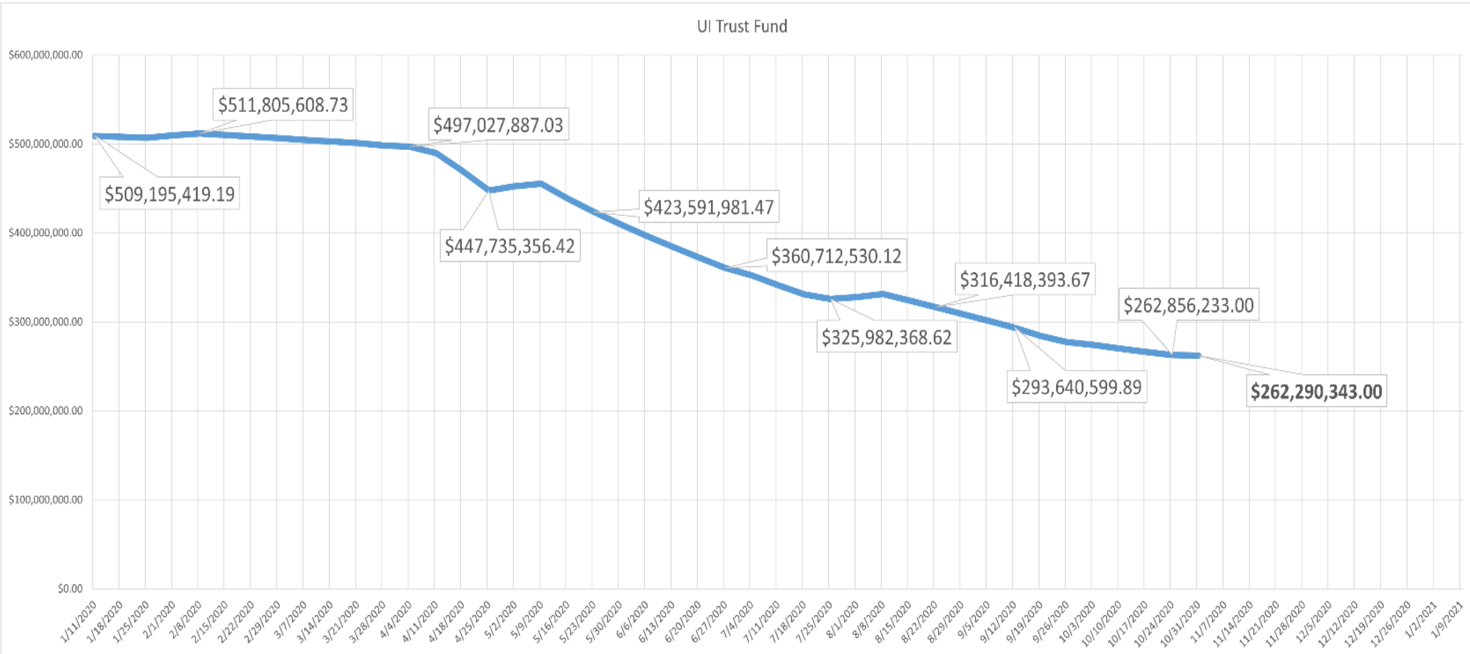
	S1 100% increase (+12.5k payments)	S2 200% increase (+25k payments)	S3 400% increase (+50k payments)
End of Oct 2020	$262.1	$262.1	$262.1
End of Dec 2021	$48.4	-$103.2	-$406.5

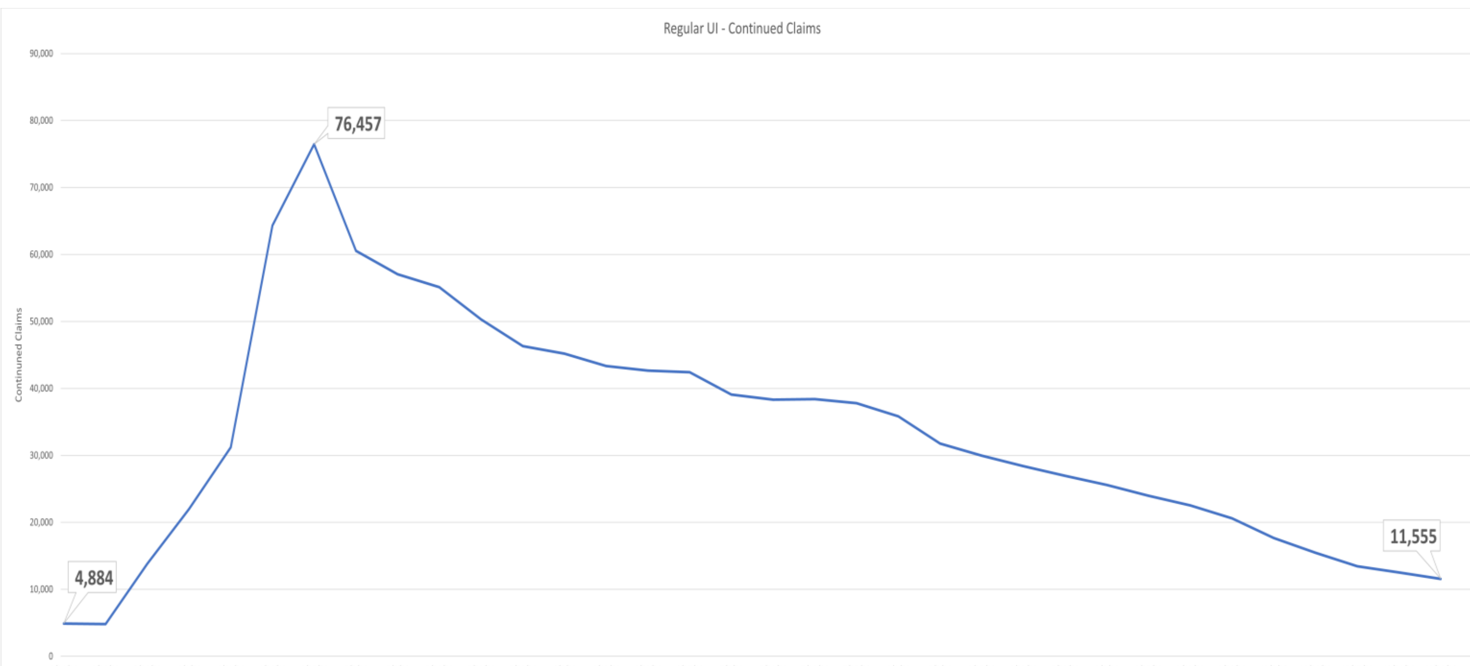
Caveat: all scenarios assume the rise in regular UI payments are attributed to new claims of qualifying individuals. To be as conservative as possible, all payments are 100% paid for using Vermont's UI TF dollars. In these simplified scenarios, payments would not be paid in full or in part by federal dollars.

Summary

The UI TF has taken a large hit but is still strong enough to handle a doubling of regular UI payments. If a COVID related shutdown causes regular UI payments to increase by 200% or 400%, the fund would be depleted, and the state would have to borrow funds via a federal Title XII loan.







	3/14/20	3/21/20	3/28/20	4/4/20	4/11/20	4/18/20	4/25/20	5/2/20	5/9/20	5/16/20	5/23/20	5/30/20	6/6/20	6/13/20	6/20/20	6/27/20
Series1	4,884	4,810	13,797	21,953	31,204	64,313	76,457	60,535	57,040	55,103	50,285	46,316	45,207	43,338	42,681	42,420

	7/4/20	7/11/20	7/18/20	7/25/20	8/1/20	8/8/20	8/15/20	8/22/20	8/29/20	9/5/20	9/12/20	9/19/20	9/26/20	10/3/20	10/10/20	10/17/20	10/24/20	10/31/20
Series1	39,089	38,335	38,405	37,797	35,847	31,783	29,962	28,390	26,970	25,575	23,961	22,541	20,616	17,676	15,460	13,438	12,535	11,555