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Legislation to Reduce Length of Unemployment Benefits Moves Through Initial Committee Stage

Bill 35-0218 proposes shorter benefit periods with unchanged payouts

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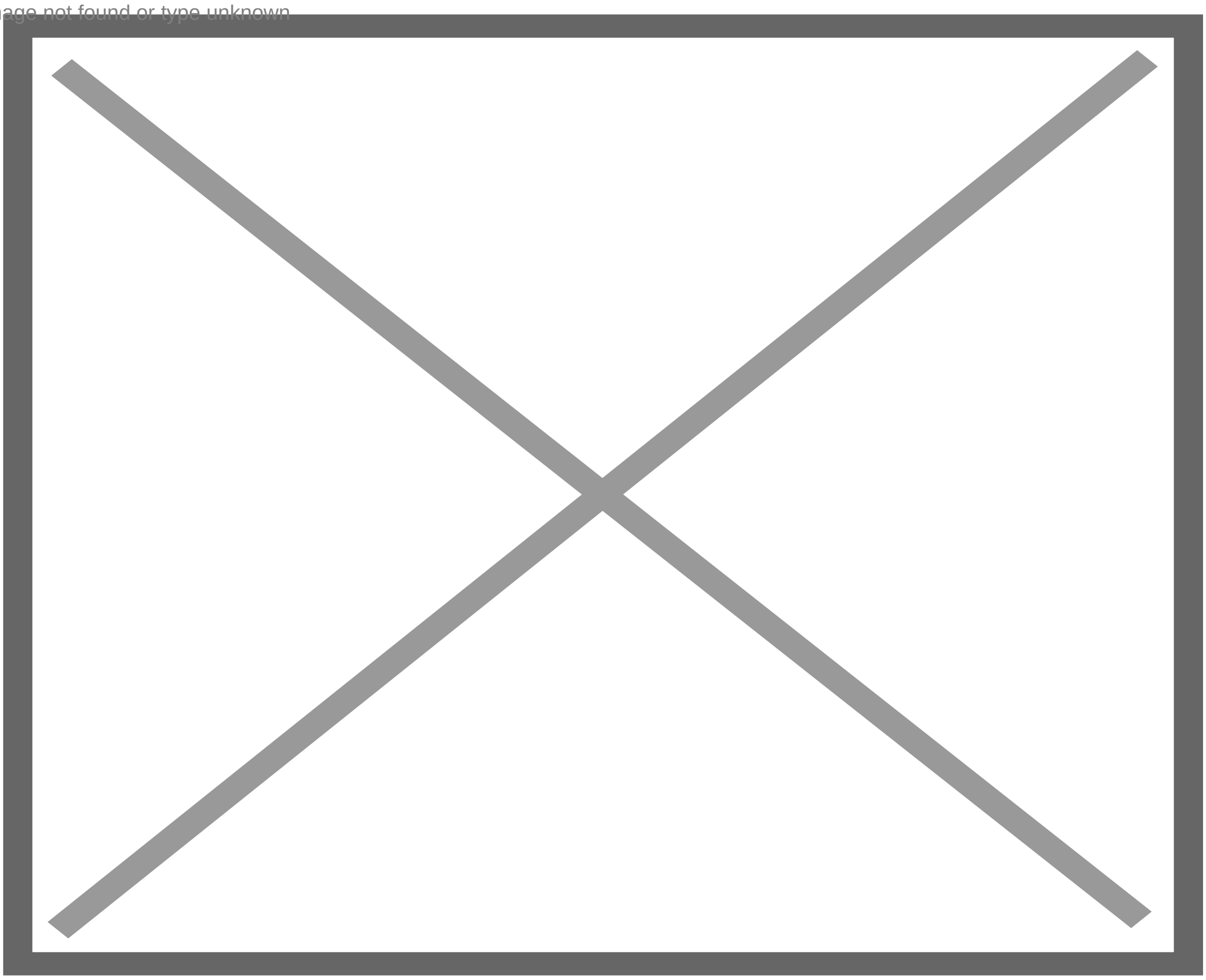

V.I. Dept. of Labor building on St. Croix. **By. V.I. CONSORTIUM**

On Monday, the Senate Committee on Budget, Appropriations and Finance approved a bill that would shave more than two months off the maximum timeframe within which laid off workers can collect unemployment benefits, while increasing the time limit the government can claw back overpayments to benefit recipients.

Introduced by Senator Novelle Francis at the request of Governor Albert Bryan Jr., Bill 35-0218 "is intended to make significant reforms to the Unemployment Insurance Statute," the lawmaker said.

Chief among them is reducing the number of weeks that a person can claim unemployment benefits from 26 to 16 weeks. Testifying in support of the measure was Department of Labor Commissioner Gary Molloy, who hastened to add that a “reduction in weeks does not mean a decrease in the actual amount of unemployment benefits received by claimants.”

“We’re not changing the amount that the claimant would be able to receive within that same time period,” Mr. Molloy clarified in response to a question from Senator Angel Bolques. “We recognize based on the cost of living and our inflation rates in the territory, that it would be pretty much shooting ourselves in the foot if we do that to our residents,” Mr. Molloy continued, reassuring lawmakers that claimants would get the full amount they are entitled to, just condensed into a shorter timeframe.

The decision to shorten the unemployment insurance benefit window was driven by approximately 20 years worth of data collected by VIDOL, explained Gary Halyard, director of Unemployment Insurance for the department. “Even individuals who were maybe initially given a determination of eligibility for 26 weeks of payment, sort of fell off and returned to work within that 16 to 18 week period,” he said, noting that there was a cyclical uptick in unemployment during the tourism “off-season” which goes back down from November through April.

In contrast to decreasing the timeframe for the collection of benefits, Bill 35-0218 would also “extend the statute of limitation for the collections of overpayments for unemployment benefits from claimants,” according to Mr. Molloy.

The U.S. Virgin Islands and Hawaii, Mr. Molloy said, are unique in the United States for being the most restrictive when it comes to recovering overpayments to beneficiaries. The bill aims to expand that timeframe from two to five years. “This action is a vital step forward in enhancing efforts to safeguard the integrity and financial stability of the Unemployment Insurance Trust fund,” he said.

The adoption of the payroll variation methodology would bring the territory into alignment with the federal experience rating system. However, Mr. Molloy warned lawmakers that the tax liabilities of local businesses could increase. “We are aware that some employers will see an increase in current tax rates,” the Labor commissioner said. “However, the implementation of the payroll variation stands as the most crucial change to stabilize the unemployment insurance system.”

Mr. Molloy explained to Senator Donna Frett-Gregory that “what we’re looking at is payroll taxes, this variation affects the employers. If you use the system more, you’re gonna have higher taxes.” He could not say whether it was likely that the increases would be passed on to the customer. "There’s some research that has to be done,” he told Frett-Gregory, the committee chair.

The proposed legislation would also give the department more time to collect unemployment insurance contributions from delinquent employers. Currently, there is a five year window in which collections action can be taken, and Bill 35-0218 would make that 10 years. "Some employers in the territory exploited a loophole, avoiding payment of their own unemployment insurance contributions,” Mr. Molloy said, without providing more details about what the loophole was and whether it has since been closed. Apart from the increased time within which collections efforts can be mounted, VIDOL plans to hire additional staff to “actively engage with businesses through calls and visits, facilitating the timely collection of contributions.”

Other provisions in the measure include a 10-year record retention requirement for employers, and a requirement for employers to register with the VI state information data exchange system, which Mr. Molloy said was “deemed essential for the efficiency of the Unemployment Insurance Program.”

While some legislators expressed reservations about various portions of the draft bill, all committee members ultimately voted in favor of the bill. Before holding the vote, however, Frett-Gregory signaled the need for tweaks. “We see some areas where I think we could have a conversation with you to strengthen this, to make sure that there are some more accountability pieces included in it. So I think that we should have a deeper dive conversation,” she suggested.