

[Bob Kinzel, VPR News](#)

(Host) The budget woes facing the Shumlin administration could be reduced by almost nine million dollars over the next two years if legislation proposed by Congressman Peter Welch becomes law.

And as VPR's Bob Kinzel reports, the plan would also spare most Vermont employers a tax increase beginning in 2012.

(Kinzel) Vermont, like many other states, has had to borrow money from the federal government to pay out its unemployment benefits during the recession.

Since February of 2010, the state has borrowed roughly \$50 million and it's expected to borrow another \$33 million by the end of September.

Welch's bill gives states an additional two years before paying back the interest on these loans. Without this legislation, Vermont's interest payments would be roughly \$3.5 million this year and almost \$5 million in 2012.

(Welch) "The states did not create the recession but they're bearing an immense burden in paying the price of it. And if we suspend interest payments for a couple of years, we have the federal government, with the helping hands of the states particularly, at a time when we've got the very beginning of a fragile recovery that we don't want to derail."

(Kinzel) Because states can't tap into their unemployment funds to pay back the interest, Welch says the money would have to come from the general fund and would most likely require additional budget cuts.

(Welch) "We see that in Vermont, the general assembly has to make very painful choices. And then if you add this additional burden that's going to make a tough situation even more difficult."

(Kinzel) Tracy Phillips is the director of the Unemployment Fund Division at the Vermont Department of Labor. She says Welch's bill is good news for the state.

(Phillips) "Currently, interest would be due to the federal government September 30 of 2011, so certainly this is a significant savings to us."

(Kinzel) The Obama administration also wants to implement a two-year moratorium on certain unemployment fund tax increases for employers. Phillips says this provision will help a lot of businesses in Vermont.

(Phillips) "Vermont employers would see that impact in 2012. And Vermont employers would benefit from not having a credit reduction - in other words, would benefit from not seeing a tax increase in 2012."

(Kinzel) The president's plan also raises taxable wage levels for employers. But Phillips says this provision won't affect Vermont because state lawmakers increased these levels last year.

For VPR News, I'm Bob Kinzel in Montpelier