

Unemployment Insurance Trust Fund Forecast

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Executive summary

This report provides the status of, and updated projections for, the state's unemployment insurance (UI) trust fund for 2023 through 2029. The report is based on the June 2024 economic forecast released by the state's Economic and Revenue Forecast Council (ERFC) using forecast information and UI tax and benefit data through the first quarter of 2024.

As of June 30, 2024, the UI trust fund balance was approximately \$3.6 billion. Unemployment benefit payments from the trust fund are projected to be approximately \$1.6 billion in 2024 and \$1.5 billion in 2025. Employer tax contributions to the UI trust fund are projected to be approximately \$2.0 billion in 2024 and \$1.8 billion in 2025. The trust fund is projected to have 7.9 months of benefits available at the end of third quarter 2024, with the reserve continuing to grow over the 2024 to 2029 forecast period.

Claim counts over the past four quarters have been higher than our forecasts. If this trend continues, we will see higher benefit payments and a lower trust fund balance than forecasted. Adjusted estimates are included in the benefit payments and trust fund balance sections.

Contents

This report contains the following items:

- Employer contributions, benefit payments and projected trust fund balance through 2027;
- June 2024 forecast compared to the November 2023 forecast; and
- Appendix 1: Economic assumptions for the June forecast compared to the November 2023 forecast.

If you have questions please contact Gustavo Avilés, Chief Analytics Officer, at 360-890-3736 or email data@esd.wa.gov.

Introduction

This report provides information on Washington state's employer contributions, benefits, and UI trust fund current and projected balances. The Employment Security Department's unemployment trust fund projections are reviewed and adjusted three times a year (June,

September, and November). Adjustments are made by changing several variables in the trust fund model. The variables are sourced from the state's ERFC June 2024 economic forecast.

This forecast uses the June 2024 ERFC assumptions and actual unemployment insurance tax and benefit data through March 31, 2024. The economic assumptions used for the June 2024 forecast compared to the November 2023 forecast are provided in Appendix 1.

Employer contributions

Employer tax contributions are projected to be approximately \$2.00 billion in 2024 and \$1.79 billion in 2025. *Figure 1* shows annual projections of employer contributions through 2029.

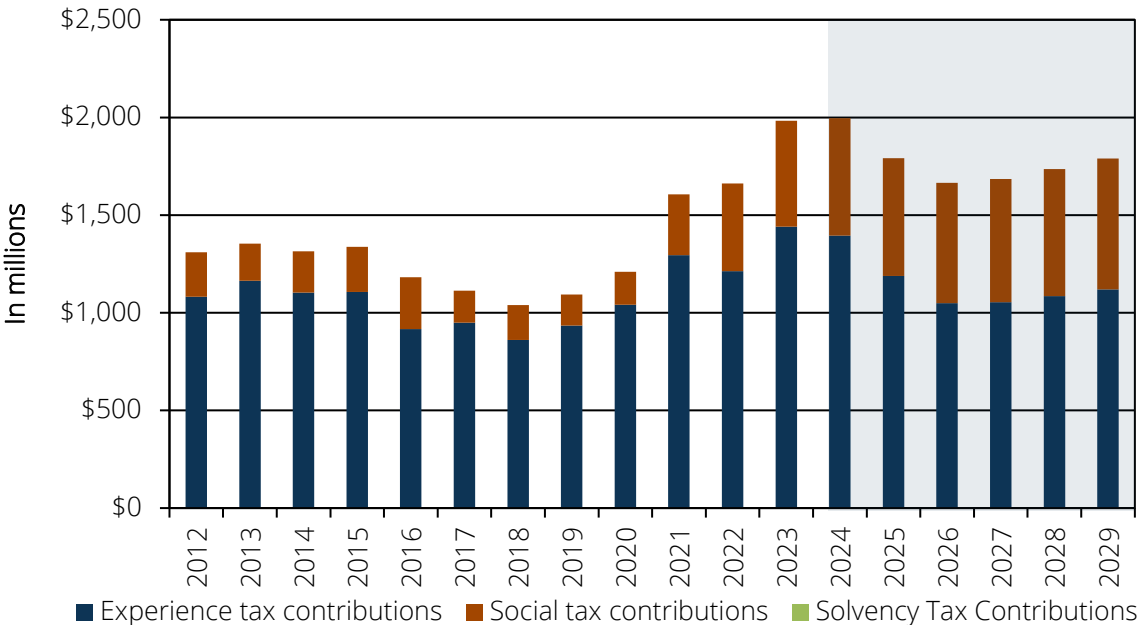
Per state law, 2024 experience tax rates are based on benefits paid between July 1, 2019, and June 30, 2023. In addition, per state law, the taxable wage base increased from \$67,600 to \$68,500 in 2024.

The COVID-19 pandemic caused a high volume of claims. The increased benefit payments would normally cause a significant increase in employer contributions. To mitigate this, engrossed senate substitute bill 5478, which went into effect on May 12, 2021, provided \$500 million in financial relief to certain taxable employers to offset benefit charges from COVID-19-related claims. An employer's social tax rate starts with the flat social tax rate, typically with a cap of 1.22%, which is then graduated by rate class. Previous COVID-19 legislation, ESSB 5061, provided employers experience tax relief and lowered the flat social tax for 2021 to 2025. This cap was further lowered to 0.5% for 2022 and 0.7% for 2023 by ESSB 5873, which went into effect on March 11, 2022.

The flat social tax rate for 2024 is 0.6%. It is projected to hold at 0.6% through 2029. Solvency taxes, imposed if the trust fund cannot provide for seven months of benefits on September 30 of any given year, have been waived by state law through 2025.

Figure 1. Washington state unemployment insurance employer tax contributions

Washington state, 2012 through 2029. Source: Employment Security Department/DATA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data. Employer tax contributions are projected to be approximately \$2.00 billion in 2024, \$1.79 billion in 2025, and \$1.66 billion in 2026.

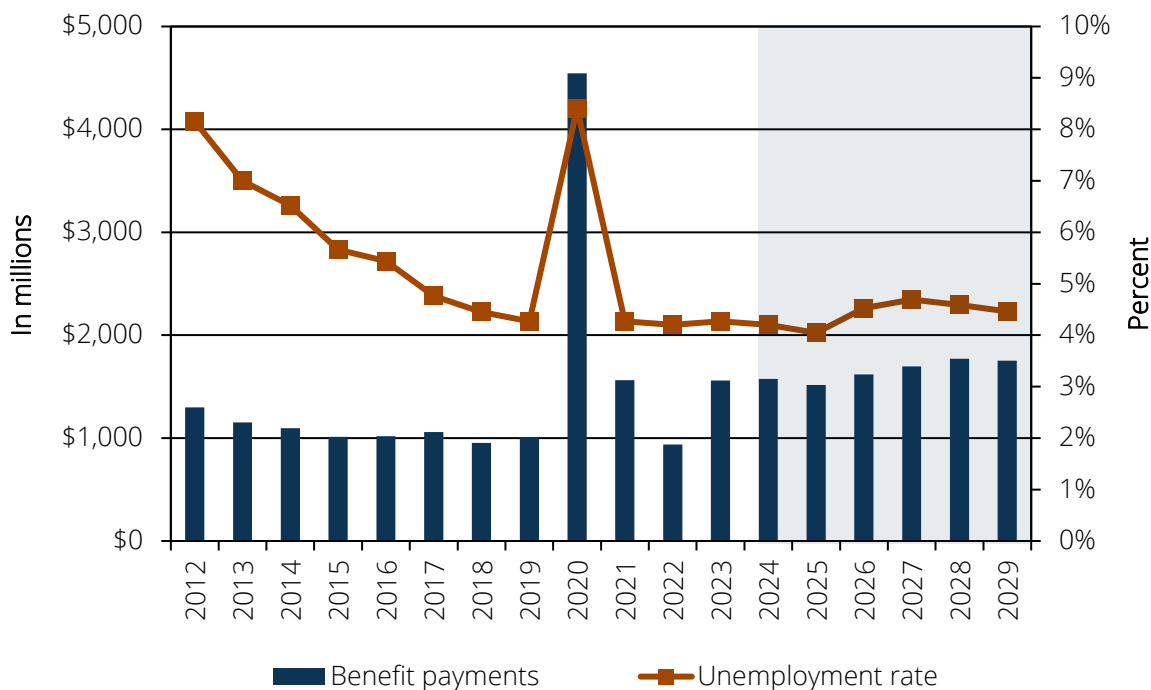
Unemployment benefit payments

Benefit payments from the UI trust fund are projected to be approximately \$1.57 billion in 2024 and \$1.52 billion in 2025. Per state law, the minimum weekly benefit amount will increase from \$323 to \$342, and the maximum weekly benefit amount will increase from \$1,019 to \$1,079 in 2024. *Figure 2* shows annual projections of benefit payments from the trust fund and the projected state unemployment rate through 2029.

Claims over the past four quarters have been higher than forecasted. If this trend continues, our estimates for benefit payments are \$1.80 billion in 2024 and \$1.84 billion in 2025.

Figure 2. Benefit payments from state unemployment trust fund

Washington state, 2012 through 2029. Source: Employment Security Department/DATA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data. Benefit payments from the trust fund are projected to be approximately \$1.58 billion in 2024 and \$1.52 billion in 2025.

Trust fund balance

As of June 30, the UI trust fund balance was approximately \$3.62 billion, slightly lower than our projected \$3.77 billion. On Sept. 30, 2024, the trust fund is projected to have 7.9 months of benefits. We project a Dec. 31, 2024, balance of \$4.01 billion.

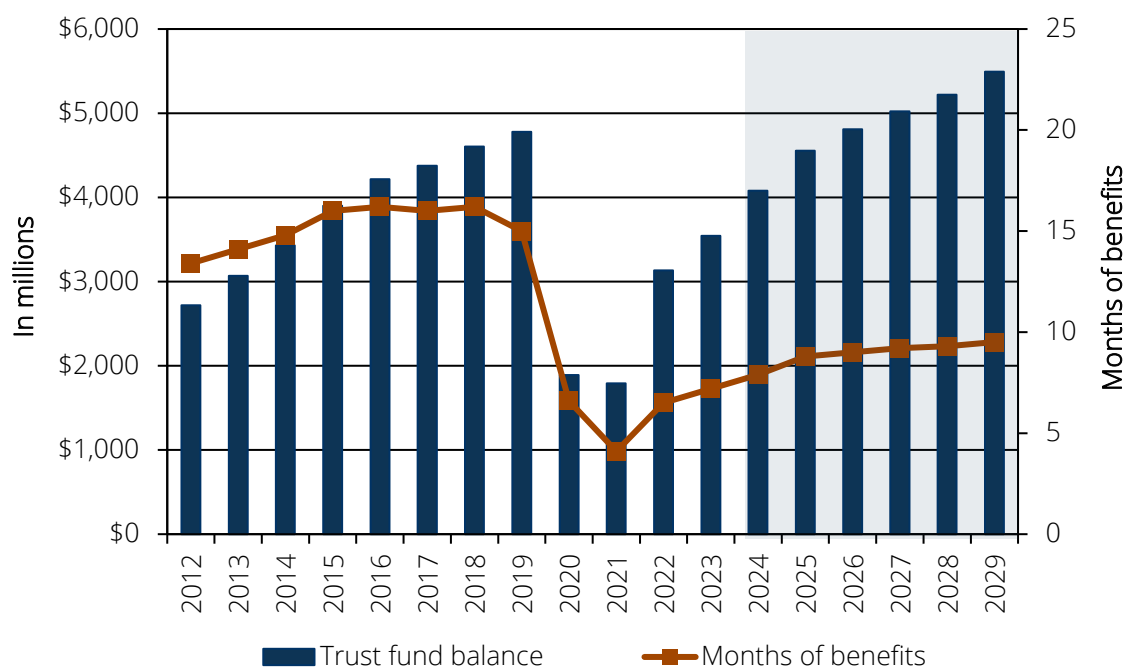
If higher-than-forecasted claim volume continues, we expect 7.6 months of benefits on Sept. 30, 2024. The corresponding end-of-year balance is \$3.87 billion.

Figure 3 shows the annual projected year-end trust fund balance through 2029. The orange line represents the months of benefits available on the date when unemployment insurance tax rates for the following year are calculated (September 30). It is important to note that individual years can have the same trust fund balance, but different months of benefits. There

is not one standard cost for the month of benefits. The cost of a month of benefits varies depending on how many people in the state are working and how much they are earning.

Figure 3. Washington state unemployment trust fund and months of benefits

Washington state, 2012 through 2029. Source: Employment Security Department/DATA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data. The reserves in the trust fund are projected to cover 7.9 months of benefits in 2024.

Trust fund scenario: June 2024 forecast compared to November 2023

This scenario compares the June 2024 forecast (top half of table) to the published November 2023 forecast (bottom half of table).

Figure 4. Washington state trust fund forecast

Washington state, June 2024 and November 2023. Source: Employment Security Department/DATA/ETA 2112/ETA 5159/UI Wage File. Note: All references to years relate to calendar years. All dollars are in millions.

UI trust fund June 2024 baseline forecast based on data through 3/31/24 and June 2024 ERFC assumptions							
Taxes	2023	2024	2025	2026	2027	2028	2029
Average experience tax rate	0.88%	0.88%	0.76%	0.65%	0.65%	0.65%	0.65%
Experience tax contributions	\$1,440.90	\$1,394.43	\$1,187.68	\$1,049.82	\$1,054.63	\$1,085.95	\$1,119.51
Flat social tax rate	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
Social tax contributions	\$541.81	\$600.89	\$604.21	\$614.83	\$630.70	\$649.43	\$669.50
Solvency tax rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions	-	-	-	-	-	-	-
Total average tax rate	1.43%	1.33%	1.17%	1.05%	1.04%	1.04%	1.04%
Total tax contributions	\$1,982.7	\$1,995.3	\$1,791.9	\$1,664.7	\$1,685.3	\$1,735.4	\$1,789.0
Benefits							
Weeks compensated, regular benefits	2.3	2.4	2.2	2.2	2.2	2.2	2.1
Average weekly benefit amount	\$703.79	\$677.42	\$694.87	\$728.58	\$758.19	\$787.47	\$820.99
Regular benefit payments	\$1,474.7	\$1,576.4	\$1,517.3	\$1,620.0	\$1,697.6	\$1,769.9	\$1,753.7
Total benefit liability	\$1,474.7	\$1,486.4	\$1,426.3	\$1,522.8	\$1,595.7	\$1,663.7	\$1,648.5
Reimbursable benefit payments	\$85.2	\$90.0	\$91.0	\$97.2	\$101.9	\$106.2	\$105.2
Total benefit payments	\$1,559.8	\$1,576.4	\$1,517.3	\$1,620.0	\$1,697.6	\$1,769.9	\$1,753.7
Trust fund							
Beginning trust fund balance	\$3,133.2	\$3,544.2	\$4,081.4	\$4,553.2	\$4,811.0	\$5,022.4	\$5,221.1
Trust fund interest	\$76.2	\$93.1	\$106.2	\$116.0	\$121.8	\$127.0	\$132.7
Total tax contributions	\$1,982.7	\$1,995.3	\$1,791.9	\$1,664.7	\$1,685.3	\$1,735.4	\$1,789.0
Reimbursements from reimbursables (in millions)	\$85.2	\$90.0	\$91.0	\$97.2	\$101.9	\$106.2	\$105.2
Total benefit payments	\$1,559.8	\$1,576.4	\$1,517.3	\$1,620.0	\$1,697.6	\$1,769.9	\$1,753.7
Trust fund balance 12/31	\$3,544.2	\$4,081.4	\$4,553.2	\$4,811.0	\$5,022.4	\$5,221.1	\$5,494.3
Months of benefits available as of 9/30	7.2	7.9	8.8	9.0	9.2	9.3	9.5
UI trust fund June 2023 baseline forecast based on data through 9/31/23 and November 2023 ERFC assumptions							
Taxes	2021	2022	2023	2024	2025	2026	2027
Average experience tax rate	1.23%	0.92%	1.00%	1.00%	0.90%	0.66%	0.73%
Experience tax contributions	\$1,295.49	\$1,213.09	\$1,386.06	\$1,403.15	\$1,300.87	\$994.29	\$1,132.06
Flat social tax rate	0.35%	0.50%	0.60%	0.60%	0.60%	0.60%	0.50%
Social tax contributions	\$310.27	\$448.44	\$539.88	\$569.97	\$582.01	\$582.96	\$518.49
Solvency tax rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions	-	-	-	-	-	-	-
Total average tax rate	1.52%	1.26%	1.39%	1.41%	1.30%	1.05%	1.07%

Total tax contributions	\$1,605.8	\$1,661.5	\$1,925.9	\$1,973.1	\$1,882.9	\$1,577.3	\$1,650.6
Benefits							
Weeks compensated, regular benefits	3.3	1.6	2.1	2.0	2.1	2.1	2.0
Average weekly benefit amount	\$490.43	\$605.02	\$688.10	\$678.88	\$714.64	\$754.63	\$779.07
Regular benefit payments	\$1,562.9	\$936.9	\$1,463.3	\$1,329.7	\$1,476.4	\$1,547.8	\$1,592.5
Total benefit liability	\$1,469.1	\$860.6	\$1,375.5	\$1,249.9	\$1,387.8	\$1,454.9	\$1,496.9
Reimbursable benefit payments	\$93.8	\$76.2	\$87.8	\$79.8	\$88.6	\$92.9	\$95.5
Total benefit payments	\$1,562.9	\$936.9	\$1,463.3	\$1,329.7	\$1,476.4	\$1,547.8	\$1,592.5
Trust fund							
Beginning trust fund balance	\$1,890.6	\$1,790.2	\$3,133.2	\$3,758.3	\$4,580.4	\$5,193.2	\$5,445.5
Trust fund interest	\$34.5	\$43.6	\$74.6	\$98.9	\$117.7	\$130.0	\$136.0
Total tax contributions	\$1,605.8	\$1,661.5	\$1,925.9	\$1,973.1	\$1,882.9	\$1,577.3	\$1,650.6
Reimbursements from reimbursables	\$93.8	\$76.2	\$87.8	\$79.8	\$88.6	\$92.9	\$95.5
Total benefit payments	\$1,562.9	\$936.9	\$1,463.3	\$1,329.7	\$1,476.4	\$1,547.8	\$1,592.5
Trust fund balance 12/31	\$1,790.2	\$3,133.2	\$3,758.3	\$4,580.4	\$5,193.2	\$5,445.5	\$5,735.1
Months of benefits available as of 9/30	4.1	6.5	7.2	8.7	9.7	10.0	10.2

Appendix 1: Economic assumptions

Events since the last forecast have improved the state's Economic and Revenue Forecast Council's outlook. Employment Security's unemployment trust fund projections are reviewed and adjusted several times a year. The adjustments are made by changing several variables in the trust fund model, which are sourced from the Economic and Revenue Forecast Council's quarterly economic forecast and updated unemployment insurance reciprocity rates. *Figure A-1* shows the major economic predictions used in the trust fund model, with a comparison to the prior forecast.

Appendix figure A-1. Washington state economic and revenue projections

Washington state, June 2024 and November 2023. Note that the forecast window has been extended for June 2024 forecasts. Source: Washington State Economic and Revenue Forecast Council

Unemployment rate (% of workforce)			Wage & Salary (% growth)		
	Nov-23	Jun-24		Nov-23	Jun-24
2024	4.53%	4.85%	2024	5.10%	5.70%

2025	4.66%	4.91%	2025	5.90%	4.80%
2026	4.55%	4.91%	2026	5.40%	5.90%
2027	4.46%	4.86%	2027	5.30%	5.00%
2028		4.69%	2028		4.90%
2029		4.47%	2029		5.30%
Employment growth (% growth)			Consumer Price Index (% growth)		
	Nov-23	Jun-24		Nov-23	Jun-24
2024	1.10%	5.46%	2024	2.40%	2.60%
2025	0.60%	0.90%	2025	2.20%	2.40%
2026	0.90%	1.00%	2026	2.20%	2.40%
2027	0.90%	0.90%	2027	2.10%	2.20%
2028		1.00%	2028		2.20%
2029		1.00%	2029		2.10%

Definitions of economic variables

- **Unemployment rate:** The rate computed by dividing total unemployed by the civilian labor force. The unemployment rate is used as an input into the forecasting of benefits. These unemployment rates are seasonally adjusted. Seasonal adjustment smooths out the impact of normal seasonal patterns that occur year after year, such as strong seasonal hiring in retail trade around the holidays.
- **Wage and salary disbursements:** This component of personal income consists of the monetary remuneration of employees. It reflects the amount of wages and salaries disbursed, but not necessarily earned, during the year. This component is measured before deductions, such as Social Security contributions and union dues. The percentage growth for wage and salary disbursements is used in projecting future wages.
- **Employment growth:** The percentage change in overall employment from year to year. Employment growth is used in the trust fund model as a means of forecasting total employment.
- **Consumer Price Index (CPI):** A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. CPI is used in the forecast as a means of adjusting the dollar values.