

A background image showing the silhouettes of several people standing in a room with large windows, looking out at a bright light source, possibly the sun. The scene is dimly lit, with the primary light coming from the windows, creating a silhouette effect.

Unemployment Insurance ADVISORY COMMITTEE



Employment Security Department
WASHINGTON STATE

September 29, 2021

September UI Trust Fund Report



**Employment
Security
Department**
WASHINGTON STATE

Unemployment Insurance Advisory Committee Presentation

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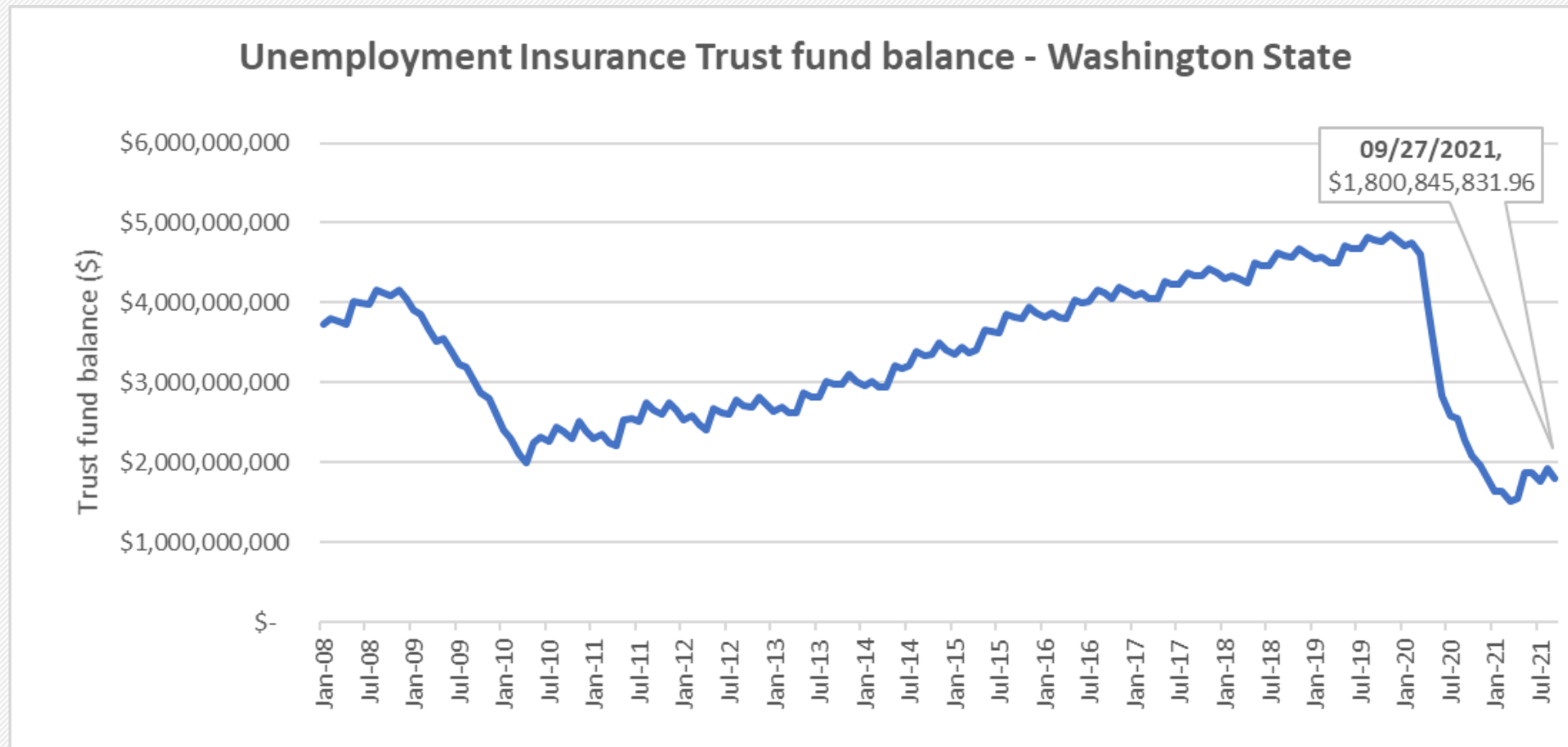
Dan Zeitlin, Employment System Policy Director

Employment Security Department

Unemployment Insurance Trust fund



- On September 27, the UI trust fund balance was \$1.8 billion



Months of Benefits Calculation (9/27/21)



Trust Fund Balance: \$1.80 billion

Total Wages: \$199 billion

Reserve Ratio (RR): $\left(\frac{\$1.80\text{billion}}{\$199\text{ billion}}\right) * 100 = 0.90$

Average High-Cost Rate (AHCR): 2.44

Months of Benefits: $\left(\frac{0.90}{2.44}\right) * 12 = \mathbf{4.4\text{ Months of Benefits}}$

September UI Trust Fund Report: Key Takeaways



- The economic recovery continues to result in a more optimistic trust fund forecast than projected in 2020.
- At 1.45%, the average projected tax rate for 2022 remains unchanged from the June report.
- Benefit payments are projected to be approximately \$270 million higher in 2022 than projected in the June report.
- The state is not projected to need a federal advance or to draw a federal loan with the trust fund balance beginning to increase in 2022.

UI Trust Fund Report



- The report provides the status and updated projections of the state's unemployment insurance (UI) trust fund for 2021 through 2025.
- The report is based upon the September 2021 economic forecast released by the state's Economic and Revenue Forecast Council (ERFC).
- The report uses quarterly forecast information and UI tax and benefit data through June 2021 (Q2 2021).

Unemployment insurance trust fund: September 2021 baseline forecast
(based on actuals reported in the September 2021 Washington State Economic and Revenue Forecast Council)

Taxes	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Average experience tax rate (percent)	0.93%	1.00%	0.89%	0.97%	1.13%	1.15%	1.02%
Experience tax contributions (in millions)	\$933.7	\$1,040.7	\$1,029.4	\$1,197.2	\$1,456.6	\$1,532.0	1,403.0
Flat social tax rate (percent)	0.16%	0.15%	0.50%	0.75%	0.60%	0.60%	0.60%
Social tax contributions	\$160.4	\$169.2	\$379.6	\$599.0	\$549.9	\$551.1	\$559.9
Solvency tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions (in millions)	\$-	\$-	\$-	\$-	\$-	\$-	\$-
Total average tax rate (experience tax + social tax)	1.08%	1.16%	1.22%	1.45%	1.56%	1.56%	1.43%
Total tax contributions	\$1,094.1	\$1,209.9	\$1,409.0	\$1,796.2	\$2,006.5	\$2,083.2	\$1,962.9
Benefits							
Weeks compensated (in millions) - regular benefits	2.1	10.3	3.8	2.2	2.0	2.0	2.1
Average weekly benefit amount	\$477.84	\$447.41	\$524.96	\$604.29	\$628.84	\$651.72	\$677.48
Regular benefit payments	\$1,010.6	\$4,544.8	\$1,940.7	\$1,300.0	\$1,260.4	\$1,322.8	\$1,392.2
Total benefit liability	\$949.9	\$4,272.1	\$1,824.3	\$1,222.0	\$1,184.8	\$1,243.4	\$1,308.7
Reimbursable benefit payments	\$60.6	\$272.7	\$116.4	\$78.0	\$75.6	\$79.4	\$83.5
Total benefit payments	\$1,010.6	\$4,544.8	\$1,940.7	\$1,300.0	\$1,260.4	\$1,322.8	\$1,392.2
Trust fund							
Beginning trust fund balance	\$4,603.5	\$4,778.1	\$1,890.6	\$1,517.9	\$2,136.9	\$3,021.9	\$3,947.5
Trust fund interest	\$113.0	\$77.8	\$42.5	\$44.8	\$63.3	\$85.9	\$107.8
Total tax contributions	\$1,094.1	\$1,209.9	\$1,409.0	\$1,796.2	\$2,006.5	\$2,083.2	\$1,962.9
Reimbursements from reimbursables	\$60.6	\$272.7	\$116.4	\$78.0	\$75.6	\$79.4	\$83.5
Total benefit payments	\$1,010.6	\$4,544.8	\$1,940.7	\$1,300.0	\$1,260.4	\$1,322.8	\$1,392.2
Ending trust fund balance (as of 12/31)	\$4,778.1	\$1,890.6	\$1,517.9	\$2,136.9	\$3,021.9	\$3,947.5	\$4,709.5
Months of benefits available (as of 9/30)	15.0	6.6	4.4	5.1	6.8	8.6	10.1

UI Trust Fund Forecast (September 2021)



	June Forecast	September Forecast
2021 Unemployment Benefit payment projection	\$1.72 Billion	\$ 1.94 billion
2022 Unemployment Benefit payment projection	\$1.03 Billion	\$ 1.3 billion
2021 Employer Contributions	\$1.32 Billion	\$ 1.4 billion
2022 Employer Contributions	\$1.8 Billion	\$ 1.8 billion

Benefit Payments



- The average annual wage is used to calculate unemployment benefit levels for the year (July-June).
- The minimum weekly unemployment benefit, calculated per state statute at 20 percent of the average weekly wage, increased by \$94, from \$201 to \$295 for new claims opened on or after July 4th.
- The maximum weekly benefit, which is the greater of \$496 or 63 percent of the average weekly wage, increased by \$85 to \$929.

Benefit Payment Amounts

Year:	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Amount (in billions):	\$1.94	\$1.3	\$1.26	\$1.32	\$1.39

Experience Tax Rate



- The experience rate tax is an annual calculation based on the ratio of benefit claims charged to the employer and “taxable wages” reported by the employer over the preceding four fiscal years.
- Per state statute, the taxable wage base was \$56,500 in 2021 and will be \$62,500 in 2022.
- The trust fund balance has no impact on the experience rate tax.

Average Experience Tax Rates

CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
0.89%	0.97%	1.13%	1.15%	1.02%

Social Tax Rate



- The “flat social tax” is an annual tax calculation made after September 30 subtracting total experience rated taxes paid by all employers over four consecutive quarters from total unemployment benefits paid to all claimants over those same quarters.
- This amount is then divided by total taxable payrolls and expressed as a percent.
- Per SB 5061, the flat social tax rate has a maximum tax cap of 0.75% (2022), 0.80% (2023), 0.85% (2024), and 0.90% (2025). The tax is then adjusted for each rate class. The tax is projected to be below the caps in 2023-25.

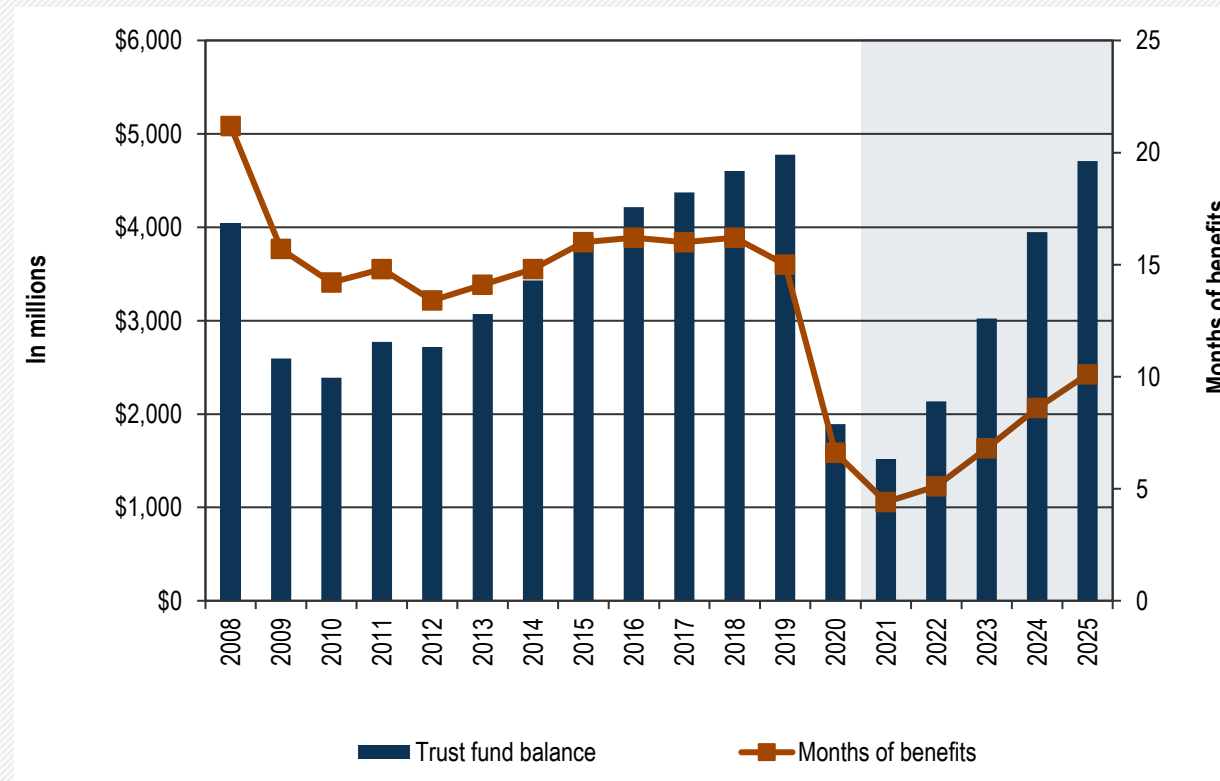
Projected Flat Social Tax Rates

CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
0.50%	0.75%	0.60%	0.60%	0.60%

Projected Trust Fund Balances



- Approximately \$1.52 billion (2021); \$2.14 billion (2022); \$3.02 billion (2023); \$3.95 billion (2024); and \$4.71 billion (2025)



ESSB 5061 and ESSB 5748 Impacts



- Along with lowering experience rate taxes, [ESSB 5061](#) lowered the social tax cap and froze the solvency tax from 2021-2025 thereby ensuring the social tax does not exceed .75% in 2022 and that there is no .2% solvency tax which would otherwise be enacted in 2022 as the trust fund has less than 7 months of benefits available.
- ESSB 5061 increased the minimum weekly benefit amount from 15% to 20% of the average weekly wage. The report due on December 1st will measure the impact on benefit payments.
- [ESSB 5478](#) provides \$500 million to buy down certain employers' 2022 experience tax rates. The bill has no impact on UI trust fund projections but will provide tax relief to certain employers.