



Unemployment Insurance Advisory Committee

Meeting details

Date: Wednesday, December 9, 2020

Time: 10:00 a.m. to 12:00 p.m.

Location: Zoom

Committee members present

- Robert Battles
- Julia Gorton
- Tammie Hetrick
- Sybill Hyppolite
- Cindy Richardson
- Kevin Perkey
- Josh Swanson
- Jerry VanderWood
- Brenda Wiest

Committee members absent

ESD staff

- Joy Adams
- Ashlee Delaney
- Nick Demerice
- Stasha Espinosa
- Wendy Goldmark
- Matthew Klein
- Suzi LeVine
- Matt LaPalm
- Scott Michael
- Jeff Robinson
- Dan Zeitlin

Summary

Meeting Recorded

This meeting was recorded and is available at <https://esd.wa.gov/newsroom/UIAC/recordings>.

This meeting was also livestreamed by TVW and the broadcast can be found at <https://www.tvw.org/watch/?clientID=9375922947&eventID=2020121075>

Welcome and Opening Remarks

Employment Security Department (ESD) Policy Director, Dan Zeitlin, welcomed everyone and asked Wendy Goldmark to take roll call. All committee members were present.

Agenda

Dan Zeitlin reviewed the meeting agenda and asked if anyone had any questions. (See Addendum I.)

Meeting Minutes

Dan Zeitlin requested that everyone review the meeting minutes for November 18, 2020 and provide their feedback. Brenda Wiest made a motion to approve the minutes for November 18, 2020 and Cindy Richardson seconded the motion. Dan asked for all members in favor to say, "Aye". All members responded, "Aye". Dan asked members that disapprove to say, "Nay". No one responded. The November 18, 2020 meeting minutes were approved.

UI Program Update

- On the federal level, if Congress and the Administration do not act, beginning the December 26 to January 2 claim week there will be a number of impacts.
- **PUA:** PUA will no longer be available and claimants must qualify for regular UI to receive benefits.
- **PEUC:** The extra 13 weeks of PEUC will no longer be available. Regular UI claimants will be entitled to up to 39 (rather than 52) weeks of benefits (UI and Extended Benefits) with those on or who would be moving onto PEUC moving to Extended Benefits (EB).
- **Extended Benefits:** Without 100% federal financing, the state (UI trust fund) will finance 50% of EB (up to 13 weeks) of benefits. The cost is socialized.
- **Waiting Week:** Without federal financing of the waiting week, claimants will need to wait a week to receive benefits and the UI trust fund will finance up to 26 (rather than 25) weeks of regular UI benefits.
- **Shared Work Benefits:** Without federal financing, employers will be charged for 100% of Shared Work benefits.
- **Reimbursable Employers:** Without federal financing of 50% of benefits paid to employees of reimbursable employers, those employers will be billed for 100% of benefits charged beginning in the first quarter of 2021.

- **Trust Fund Loan Interest (expires 12/31/2020):** If the state needs to take out federal loans in 2021 to maintain UI trust fund solvency, interest will be charged on those loans.
- COVID-19 negotiations have intensified and extending expiring UI provisions, at least into next year, and allowing states to continue to spend CARES Act aid after the 1st of the year, is certainly a key part of the discussion.
- Any COVID-19 relief will likely get attached to a bill funding the federal government. Government funding is scheduled to expire December 11, but Congress is now voting to extend that date to December 18.
- At the state level, three unemployment-related Governor Emergency Proclamations set to expire December 7 were extended by Legislative Leadership.
- Proclamation [20-21](#) suspending state law requiring an unpaid waiting week and Proclamation [20-58](#) suspending state law requiring Employment Security to charge employers for Shared Work benefits were extended through December 21.
- Because December 21 is a Monday, after a claim week has started, those provisions will be in effect through Saturday, December 26 and therefore expire when the CARES Act provisions providing federal financing of the waiting week and Shared Work benefits expire.
- Should those federal provisions get extended, we will ask the Governor for a further extension of those proclamations. If they are not, the waiting week period will be re-instated and Shared Work benefits will start being charged to employers.
- Legislative Leadership extended Proclamation [20-30](#), which suspends state law requiring unemployment claimants, including those claiming Extended Benefits, to actively seek work, through January 19, 2021.
- At that point, the Legislature will be back in session and today we will discuss options for a potential UIAC recommendation to the Legislature on that issue.

Dan Zeitlin invited Caitlyn Jekel, the Governor's Senior Labor Policy Advisor, to provide an update from the Governor's office.

On behalf of the Governor's office I wanted to say thank you for all of your work on these tough issues:

You all know acutely that COVID 19 has caused an economic crisis, as well as threat to public health.

The Governor is working with legislators, stakeholders such as yourselves and the agency on a number of priorities that address this crisis related to our unemployment insurance system – for the workers who depend on it and the employers who are facing a significant rate increase at a time where economic relief is needed most.

As he announced on his press conference yesterday:

Our first priority is for Congress to act to extend Pandemic Unemployment Assistance before the end of the year to avoid a benefit cliff for nearly 100,000 Washingtonians. We are in constant contact with congressional partners. The federal government is the entity resourced to address this crisis to scale and we are encouraged that progress is underway.

However, we know that the expiration of PUA drops a large number of Washingtonians off of a weekly benefit when our economy remains disrupted. We have worked with legislative leaders on a state-level backstop in the event that congress fails to extend these benefits.

Additional details on benefit level and duration will be provided as we know more about what Congress will do in the days ahead.

In the coming week the governor will be addressing the state with more detail on his proposed biennial budget.

He cares deeply that we address lessons learned from this crisis, mitigate the spike in rate increases employers expect given current projections, recover the strong trust fund that this state proudly has upheld, and assist our most vulnerable through this challenging time.

Our office has greatly appreciated the work of this body to aid in developing our responses to these key priorities. Thank you all for your investment in this workgroup.

NOTE: Regarding the question about the fund source for the state PUA payments, if congress does not act, the answer is CARES funding.

Discussion Topics

Dan Zeitlin opened the meeting discussion with a [slide presentation](#) that outlined the main topics to be discussed below:

- Work Search Policy
- Unemployment Trust Fund Status

Dan Zeitlin then handed the presentation over to Joy Adams, UI Quality Assurance Manager, who led the discussion on UI Work Search Requirements that focused on the following:

Work Search Law

- The federal [Families First Coronavirus Response Act](#) provides states with emergency flexibilities to modify state law with respect to work search on an emergency temporary basis as needed to respond to the spread of COVID-19.
- Governor Emergency Proclamation [20-30](#) suspends state law requiring unemployment claimants, including those claiming Extended Benefits, to actively seek work.
- The proclamation is extended through January 19, 2021, but ultimately work search requirements will need to be reinstated.

UIAC Options to Consider

- Recommend a “trigger” to reinstate work search requirements.
 - A particular state-wide phase in re-opening; or
 - A particular date certain (e.g. April 4, 2021),
 - With time allowed for the agency to operationalize.
- This trigger could be enacted by statute or continuing resolution.
- Alternative: Allow the proclamation to expire and have work search reinstate per statute (RCW 50.20.240).

Challenges ESD faces with RCW 50.20.240

- ESD does not have flexibility to adjust work search requirements to accommodate urgent challenges, local conditions, or innovations in reemployment programs.
- If the statute were less prescriptive, along with more flexibly responding to emergencies, the system could innovate to match effective reemployment plans with job seekers’ needs, and match requirements with available capacity in the state.

UIAC 2nd Set of Options to Consider

- Recommend legislation to allow flexibility in how ESD implements the work search requirement.
 - Adding “or as otherwise directed by the department” to end of RCW 50.20.240(1)(b)
- Report to legislature on outcome of this flexibility, due November 2022.
 - The report shall demonstrate use and impact of any flexibilities used by the Department.
- Include a sunset clause, ending June 30, 2023 unless sunset is removed.
- Continue working with UIAC, to develop ways to best use this flexibility to improve reemployment outcomes for claimants.

Potential Bill: Amending RCW 50.20.240

(1)(a) To ensure that following the initial application for benefits, an individual is actively engaged in searching for work, the employment security department shall implement ((a)) job search monitoring ((program)). The department shall contract with employment security agencies in other states to ensure that individuals residing in those states and receiving benefits under this title are actively engaged in searching for work in accordance with the requirements of this section. The department ((may use interactive voice technology and other electronic means to)) must ensure that individuals are subject to comparable job search monitoring, regardless of whether they reside in Washington or elsewhere.

(b) [...] an individual who has received five or more weeks of benefits under this title, regardless of whether the individual resides in Washington or elsewhere, must provide evidence of seeking work, as directed by the commissioner or the commissioner's agents, for each week beyond five in which a claim is filed. The evidence must demonstrate contacts with at least three employers per week or documented in-person job search activities at the local reemployment center at least three times per week, **or as otherwise directed by the department.**

(c) In developing the requirements for ((the)) job search monitoring ((program)), the commissioner or the commissioner's agents shall utilize an existing advisory committee having equal representation of employers and workers.

(2) An individual who fails to comply fully with the requirements for actively seeking work under RCW 50.20.010 shall lose all benefits for all weeks during which the individual was not in compliance, and the individual shall be liable for repayment of all such benefits under RCW 50.20.190.

Joy Adams handed the presentation back to Dan Zeitlin who led the discussion on Unemployment Trust Fund Status. Dan stated that on November 30, the UI trust fund balance was \$1.96 billion. He noted a number of UI Trust Fund Report key takeaways:

- The UI Trust Fund report will project modest improvements in the health of the trust fund compared to the September report.
- The reserves in the trust fund are projected to drop to approximately 1.5 months of benefits in the 4th quarter of 2021.
- Washington will not need to take out loans from the federal government, though we will need to request an advance (line of credit) as required by federal law.
- Under the November UI Trust Fund projections, the flat social tax cap of 1.22% will be in place in 2022 per state law and is projected to drop to .60% in 2023.
- Under November UI Trust Fund projections, there will be a solvency tax in 2022 and 2023.

Dan Zeitlin continued the discussion that focused on the following:

UI Trust Fund Report

- The report provides the status and updated projections of the state’s unemployment insurance (UI) trust fund for 2020 through 2025.
- The report is based upon the November 2020 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 September 2020 (Q3 2020).

UI Trust Fund Forecast (November 2020)

	September Forecast	November Forecast
2020 Unemployment Benefit payment projection	\$5.3 Billion	\$5.1 Billion
2021 Unemployment Benefit payment projection	\$3.2 Billion	\$3.1 Billion
2020 Employer Contributions	\$1.1 Billion	\$1.1 Billion
2021 Employer Contributions	\$1.9 Billion	\$1.9 Billion

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 \$52,700 in 2020 and is \$56,500 in 2021.
- The trust fund balance has no impact on the experience rate tax.
- Average Experience Tax Rates

CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
.86%	.97%	1.52%	1.73%	1.75%	1.49%

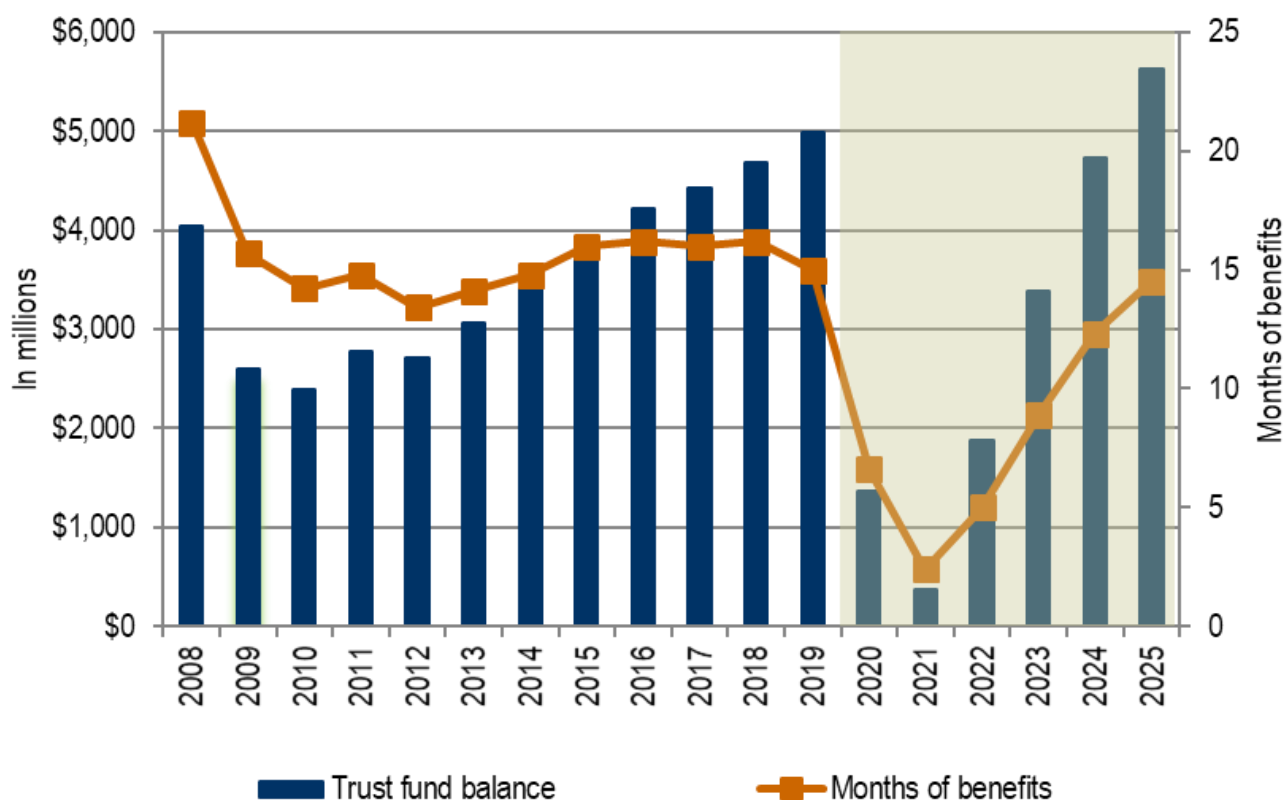
Social Tax Rate

- The “flat social tax” is an annual tax calculation 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.
- The flat social tax rate has a maximum tax cap of 1.22%.
- The tax is adjusted for each rate class.
- Flat Social Tax Rates

CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
.25%	1.22%	1.22%	.60%	.60%	.40%

Projected Trust Fund Balances

- Approximately \$371 million (CY 2021); \$1.9 billion (CY 2022); \$3.4 billion (CY 2023); \$4.7 billion (CY 2024); and \$5.6 billion (CY 2025)



UI Trust Fund Advance Request

- The trust fund had reserves to pay 5.8 months of benefits on November 30.
- The trust fund is projected to drop to 1.5 months of benefits in the 4th quarter of 2021 before beginning to increase reserves.
- Federal law requires the trust fund to be able to pay three months of projected benefit payments.

- When a state projects it does not have enough funds to pay benefits for 3 months, the state's governor (or the governor's designee) submits a letter requesting that the U.S. Secretary of Labor advance funds to the state.

UI Trust Fund: Federal Borrowing

- Once the advance is approved by the U.S. Department of Labor, the funds serve as a line of credit and are placed into the state's account to draw from as needed. Title XII advances are available to states only when the fund can no longer make any benefit payments.
- Accordingly, as with the September forecast, it is currently projected that Washington will not need to borrow (take out loans) from the federal government.

Action Items

- The committee requested the constructs of the UI Program Update, which are provided above.
- The committee requested to know about the fund source for the state PUA payments, if congress does not act. The answer is provided above.

Administrative Items and next Agenda Discussion

- All current UIAC members agreed to remain on the advisory committee through 2021.
- UIAC members agreed to move the December 15, 2020 meeting to December 18, 2020 from 9:00 a.m. to 11:00 a.m. to accommodate schedules.
- UIAC members agreed to meet on January 6, 2021 from 10:00 a.m. to 12:00 p.m. to accommodate schedules.
- UIAC members agreed to meet on the second Friday of every month from 2:00 p.m. to 3:00 p.m. through the months of February, March and April 2021.
- UIAC members agreed to meet on the second Wednesday of every month from 10:00 a.m. to 12:00 p.m. for the remainder of the year 2021.
- The next agenda discussion will provide a program update and discussion on UI Policy proposals.

Public Comments

None

Adjourned

Dan Zeitlin thanked everyone for their continued active participation and for their commitment to this work, then ended the meeting at 11:32 a.m.

Next meeting

The next Unemployment Insurance Advisory Committee meeting is on Friday, December 18, 2020 from 9:00 a.m. to 11:00 a.m. via Zoom.

Addendum I

Agenda

Unemployment Insurance Advisory Committee (UIAC)

Wednesday, December 9, 2020 | 10: 00 am – 12:00 pm | Via Zoom

Agenda Items

Time	Topic
10:00 am	Welcome from Dan Zeitlin, Director of Policy, Data, Performance & Integrity (PDPI) Division, Employment Security Department (ESD) <ul style="list-style-type: none"> • Agenda Review
10:05 am	Approval of November 18, 2020 Meeting Minutes
10:10 am	UI Program Update <ul style="list-style-type: none"> • Dan Zeitlin, Director, ESD
10:40 am	UI Policy Discussion <ul style="list-style-type: none"> • Dan Zeitlin, Director, ESD • Joy Adams, UI Quality Assurance Manager, ESD
11:30 am	Administrative Items and Next Agenda Discussion <ul style="list-style-type: none"> • Dan Zeitlin, Director, ESD • Wendy Goldmark, Administrative Assistant, ESD
11:50 am	Public Comments
12:00 pm	Adjourn

For more information, please visit the UIAC website at <https://esd.wa.gov/newsroom/UIAC>

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