

A photograph showing the silhouettes of several people standing in a meeting room, illuminated by a bright light source from the left, creating a strong backlight effect. The room has large windows and a reflective floor.

Unemployment Insurance ADVISORY COMMITTEE



Employment Security Department
WASHINGTON STATE

January 6, 2021

UI Policy Discussion



**Employment
Security
Department**
WASHINGTON STATE

Unemployment Insurance Advisory Committee Presentation

January 6, 2021

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Employment Security Department

Agenda



- Federal Program Update
- Governor's UI Proposal

Federal Continued Assistance Act



Pandemic Unemployment Assistance (PUA)

- Extends PUA to March 14, 2021 and allows individuals receiving benefits as of March 14, 2021 to continue through April 5, 2021.
- Increases the number of weeks of benefits an individual may claim from 39 to 50.
- Provides states authority to waive overpayments made without fault on the part of the individual or when such repayment would violate equity and good conscience.
- Limits payment of retroactive PUA benefits to weeks of unemployment after December 1, 2020.

Federal Continued Assistance Act



Pandemic Unemployment Assistance (PUA)

- Requires individuals receiving PUA as of January 31, 2021 to submit documentation to substantiate employment or self-employment within 90 days.
- Effective January 31, 2021, new PUA applicants must submit documentation to substantiate employment or self-employment within 21 days.

Federal Continued Assistance Act



Pandemic Emergency Unemployment Compensation (PEUC)

- Extends PEUC to March 14, 2021 and allows individuals receiving benefits as of March 14, 2021 to continue through April 5, 2021.
- Increases the number of weeks of PEUC benefits an individual may claim from 13 to 24.

Federal Pandemic Unemployment Compensation (FPUC)

- Restores the supplemental FPUC payment at \$300 per week from December 26, 2020 through March 14, 2021.

Federal Continued Assistance Act



Extended Benefits (EB)

- Federal financing extended through March 14, 2021.
- Provides a temporary waiver of the mandatory “EB freeze period” (13 weeks) for states that trigger back onto the program because of fluctuations in their unemployment rates through December 31, 2021.

Federal Continued Assistance Act



Mixed Earner Unemployment Compensation (MEUC)

- Provides a federally funded \$100 per week additional benefit from December 26, 2020 to March 14, 2021 to individuals who have at least \$5,000 a year in self-employment income but are disqualified from receiving PUA because they are eligible for regular state unemployment benefits.
- The program is optional for states and WA chose to opt-in.

Federal Continued Assistance Act



ESD is implementing the Continued Assistance Act program extensions in phases, dependent upon USDOL guidance and program complexity:

- Phase 0 – extend available dates for PUA and PEUC payments (completed).
- Phase 1 – extend available weeks for PUA payments (completed).
- Phase 2 – deploy new FPUC \$300 payments – retroactive for any past weeks, and ongoing through program expiration.
- Phase 3 – scope, develop, and deploy PEUC and MEUC extensions.

Federal Continued Assistance Act



Federal Provision Extensions

- **Waiting Week:** Federal financing extended at 50% from December 26, 2020 through March 14, 2021; state proclamation waiving the waiting week expired on December 28, 2020.
- **Shared Work:** Federal financing of benefits extended through March 14, 2021; state proclamation preventing employer charging expired on January 4, 2021.
- **Reimbursable Employers:** Federal financing of 50% of benefits paid to employees of reimbursable employers extended through March 14, 2021.
- **Trust Fund Loan Interest:** Interest free federal loans for states that must borrow to maintain UI trust fund solvency extended through March 14, 2021.

Governor's UI Proposal Overview



- ✓ Eliminates Lump Sum Retirement Benefit Deductions
- ✓ Supports Unemployment Benefits for High-Risk Individuals
- ✓ Increases Minimum Weekly Benefit Amount
- ✓ Allows Public Health Emergency Benefit Charge Relief
- ✓ Provides Tax Relief
- ✓ Enhances Voluntary Contributions Program
- ✓ Accommodates Waiting Week & Shared Work Federal Financing
- ✓ Technical Corrections

Overall Tax Relief



- The proposal is projected to prevent over \$790 million in employer tax increases in 2021 and approximately \$1.9 billion in tax increases over the 2021-2025 time period.
- The 2020 average unemployment tax rate is 1.03% of taxable wages, a tax rate that is projected to increase to 1.88% in 2021. Under the legislation, the average 2021 unemployment tax rate is projected to be 1.17%, a 38% a tax reduction.

Experience Tax Relief



- Provides over \$750 million in relief of benefit charges for all employers for benefits paid to employees from March 22 through May 2, 2020 during the “Stay Home, Stay Healthy” order.
- Expands beginning in 2022 the period for calculating employer experience rate taxes from 4 years to 5 years, lowering the projected average experience rate tax by .13-.18% of taxable wages from 2022-2024.

Social and Solvency Tax Relief



- Under current law, the flat social tax will be 1.22% of taxable wages in 2021 and is projected to remain at 1.22% in 2022.
- The proposal reduces the flat social tax to .50% in 2021 and .75% in 2022 before gradually increasing it annually until it reaches .90% in 2025.
- The proposal suspends the solvency tax through 2025.

Weekly Benefit Amount



- Increases the weekly minimum benefit amount from 15% of the average weekly wage to 20% of the average weekly wage beginning July 1, 2021.
- Accordingly, the minimum benefit amount is projected to increase from \$201 to \$270 in July 2021.
- Washington will maintain the highest weekly minimum weekly benefit amount in the nation.

Unemployment-insurance trust fund: November BASELINE forecast -Social Tax of 0.50%-2021, Social tax of .75%-2022, Social tax of .80%-2023, Social Tax of .85%-2024, Social tax of .90%-2025. No Solvency Tax 2021-2025 + 5-year window for experience tax (2022), Minimum Weekly Benefit Amount increased to 20% of AWW (2021); Relief of benefit charges (March 22 – May 2)							
(based on reported in the November 12th, 2020 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%	0.86%	0.86%	1.24%	1.43%	1.45%	1.58%
Experience tax contributions	\$ 933.7	\$ 939.4	\$ 969.5	\$1,427.6	\$1,692.1	\$1,765.5	\$ 1,978.8
Flat social tax rate (percent)	0.16%	0.25%	0.50%	0.75%	0.80%	0.85%	0.90%
Social tax contributions	\$ 160.4	\$ 178.4	\$ 349.1	\$ 574.5	\$ 669.2	\$ 733.6	\$ 811.8
Solvency tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total average tax rate (experience tax + social tax)	1.08%	1.03%	1.17%	1.74%	1.99%	2.05%	2.23%
Total tax contributions	\$ 1,094.1	\$ 1,117.8	\$ 1,318.6	\$ 2,002.1	\$ 2,361.4	\$ 2,499.1	\$ 2,790.6
Benefits							
Weeks compensated (in millions) - regular benefits	2.1	11.0	5.3	2.8	2.6	2.6	2.5
Average weekly benefit amount	\$477.84	\$476.66	\$596.65	\$625.80	\$645.58	\$667.21	\$692.27
Regular benefit payments	\$ 1,010.6	\$ 5,110.9	\$ 3,163.9	\$ 1,761.7	\$ 1,699.6	\$ 1,719.3	\$ 1,738.3
Total benefit liability	\$ 949.9	\$ 4,819.2	\$ 3,124.1	\$ 1,656.0	\$ 1,597.6	\$ 1,616.2	\$ 1,634.0
Reimbursable benefit payments	\$ 60.6	\$ 306.7	\$ 189.8	\$ 105.7	\$ 102.0	\$ 103.2	\$ 104.3
Total benefit payments	\$ 1,010.6	\$ 5,125.9	\$ 3,313.9	\$ 1,761.7	\$ 1,699.6	\$ 1,719.3	\$ 1,738.3
Trust fund							
Beginning trust fund balance	\$ 4,731.1	\$ 4,988.3	\$ 1,367.1	\$ (418.2)	\$ (71.5)	\$ 700.7	\$ 1,612.8
Trust fund interest	\$ 113.0	\$ 80.3	\$ 20.3	\$ 0.5	\$ 8.5	\$ 29.2	\$ 54.4
Total tax contributions	\$ 1,094.1	\$ 1,117.8	\$ 1,318.6	\$ 2,002.1	\$ 2,361.4	\$ 2,499.1	\$ 2,790.6
Reimbursements from reimbursables	\$ 60.6	\$ 306.7	\$ 189.8	\$ 105.7	\$ 102.0	\$ 103.2	\$ 104.3
Total benefit payments	\$ 1,010.6	\$ 5,125.9	\$ 3,313.9	\$ 1,761.7	\$ 1,699.6	\$ 1,719.3	\$ 1,738.3
Ending trust fund balance (as of 12/31)	\$ 4,988.3	\$ 1,367.1	\$ (418.2)	\$ (71.5)	\$ 700.7	\$ 1,612.8	\$ 2,823.8
Months of benefits available (as of 9/30)	15.0	6.6	0.7	0.2	2.1	4.4	7.1

Social Tax By Rate Class –2021 (current law and Governors proposal)

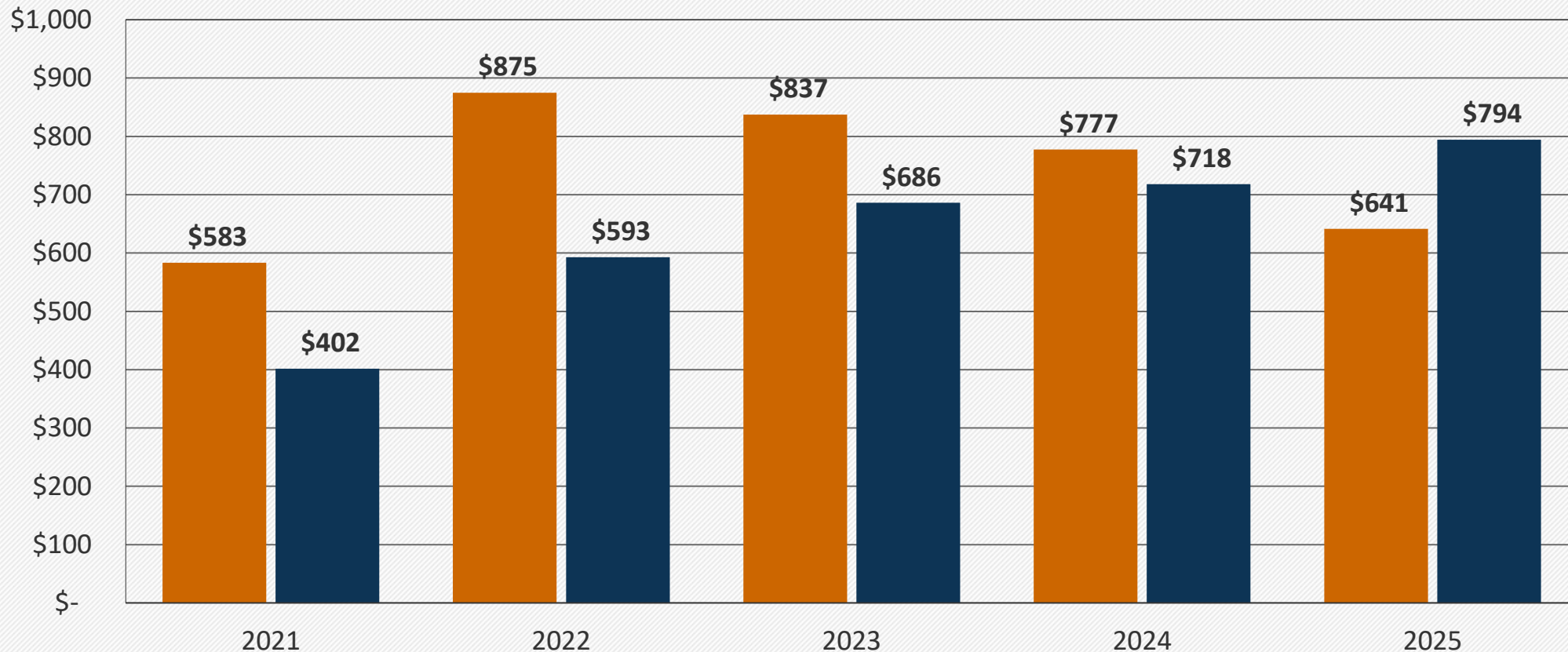


Rate class	Graduation factor	Flat social cost factor - 2020	Graduated Social cost Factor- 2020	Flat social cost factor - 2021-Current Law	Graduated Social cost Factor- 2021-Current Law	Flat social cost factor - 2021-Governors Proposal	Graduated Social cost Factor-2021-Governors Proposal	% reduction - Governors proposal vesus current law
1	40%	0.25%	0.10%	1.22%	0.49%	0.50%	0.20%	-0.29%
2	44%	0.25%	0.11%	1.22%	0.54%	0.50%	0.22%	-0.32%
3	48%	0.25%	0.12%	1.22%	0.59%	0.50%	0.24%	-0.35%
4	52%	0.25%	0.13%	1.22%	0.63%	0.50%	0.26%	-0.37%
5	56%	0.25%	0.14%	1.22%	0.68%	0.50%	0.28%	-0.40%
6	60%	0.25%	0.15%	1.22%	0.73%	0.50%	0.30%	-0.43%
7	64%	0.25%	0.16%	1.22%	0.78%	0.50%	0.32%	-0.46%
8	68%	0.25%	0.17%	1.22%	0.83%	0.50%	0.34%	-0.49%
9	72%	0.25%	0.18%	1.22%	0.88%	0.50%	0.36%	-0.52%
10	76%	0.25%	0.19%	1.22%	0.93%	0.50%	0.38%	-0.55%
21-40	120%	0.25%	0.30%	1.22%	1.46%	0.50%	0.60%	-0.86%

Estimated Average UI Tax Per Employee



■ Current Law ■ Governors Proposal





% Difference in	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Total Tax Contributions	0.00%	0.00%	0.00%	0.00%	1.83%	6.44%	10.38%
Total Average Tax Rate	0.00%	0.00%	0.00%	0.00%	0.04%	0.14%	0.19%
Total Benefit Payments/Liability	0.00%	0.00%	6.36%	10.50%	10.49%	10.49%	10.50%
Trust Fund Balance	0.00%	0.00%	-50.73%	-18.99%	-13.74%	-9.62%	-6.85%
Months of Benefits Available	0.00%	0.00%	-16.67%	-18.37%	-12.50%	-9.84%	-6.94%

Unemployment insurance trust fund: November BASELINE forecast -minimum weekly benefit amount increased to 20% - July 2021
 (based on actual data through September 30, 2020, November 2020 Washington State Economic and Revenue Forecast Council assumptions)

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Total tax contributions (6+8+10) (in millions)	\$ 1,094.1	\$ 1,117.8	\$ 1,914.9	\$ 2,954.2	\$ 2,934.1	\$ 2,878.6	\$ 2,487.7
Total benefit payments (15+16); (18+19) (in millions)	\$ 1,010.6	\$ 5,125.9	\$ 3,313.9	\$ 1,761.7	\$ 1,699.6	\$ 1,719.3	\$ 1,738.3
Ending trust fund balance (as of 12/31) (in millions)	\$ 4,988.3	\$ 1,367.1	\$ 182.6	\$ 1,499.5	\$ 2,890.0	\$ 4,240.5	\$ 5,213.2
Months of benefits available (as of 9/30)	15.0	6.6	2.0	4.0	7.7	11.0	13.4

Unemployment insurance trust fund: November BASELINE forecast
 (based on actual data through June 30, 2020, September 2020 Washington State Economic and Revenue Forecast Council assumptions)

	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Total tax contributions (6+8+10) (in millions)	\$ 1,094.1	\$ 1,117.8	\$ 1,914.9	\$ 2,954.2	\$ 2,881.3	\$ 2,704.5	\$ 2,253.7
Total benefit payments (15+16); (18+19) (in millions)	\$ 1,010.6	\$ 5,125.9	\$ 3,115.8	\$ 1,594.3	\$ 1,538.2	\$ 1,556.1	\$ 1,573.1
Ending trust fund balance (as of 12/31) (in millions)	\$ 4,988.3	\$ 1,367.1	\$ 370.7	\$ 1,851.1	\$ 3,350.4	\$ 4,691.9	\$ 5,596.7
Months of benefits available (as of 9/30)	15.0	6.6	2.4	4.9	8.8	12.2	14.4

Report to the Governor and Legislature



- On December 1, 2021 and annually thereafter through 2025, ESD must produce a report in conjunction with the UIAC that:
 1. Provides the status of the trust fund and any federal borrowing.
 2. Reviews the amount of wages subject to tax to include an analysis of the equitable treatment of employers based on the amount of wages subject to tax.
 3. Analyzes the impact of the minimum weekly benefit amount increase, including comparing wages earned and benefits claimed for those individuals receiving the minimum weekly benefit amount and the average claim duration for those individuals.

Waiting Week



Key Bill Text

- For any weeks of unemployment insurance benefits when the one week waiting period is fully paid or fully reimbursed by the federal government, subsection (1)(d) of this section [waiting week] is waived.
- For any weeks of unemployment insurance benefits when the one week waiting period is partially paid or partially reimbursed by the federal government, the department may, by rule, elect to waive subsection (1)(d) of this section [waiting week].

Unemployment Benefits for High-Risk Individuals



Key Bill Text

- The unemployed individual or another individual residing with the unemployed individual is at higher risk of severe illness or death from the disease that is the subject of the public health emergency.
- The individual is defined as high risk by the federal Centers for Disease Control and Prevention, WA Department of Health, or the equivalent agency in the state where the individual resides.
- The unemployed individual is able to perform, available to perform, and actively seeking suitable work which can be performed for an employer from the individual's home.

Work Search (Not In Gov Proposal)



Potential Bill Text

- Until December 31, 2023, 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.
- On or after January 1, 2024, the evidence must demonstrate contacts with at least three employers per week or documented job search activities with the local reemployment center at least three times per week.
- By December 1, 2022, and in compliance with RCW 43.01.036, the department must submit a report to the legislature that details the impacts of any flexibilities utilized in claimant job search methods, monitoring and outcomes.