

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

December 1, 2021

# November UI Trust Fund Report



**Employment  
Security  
Department**  
WASHINGTON STATE

**Unemployment Insurance Advisory Committee Presentation**

**December 1, 2021**

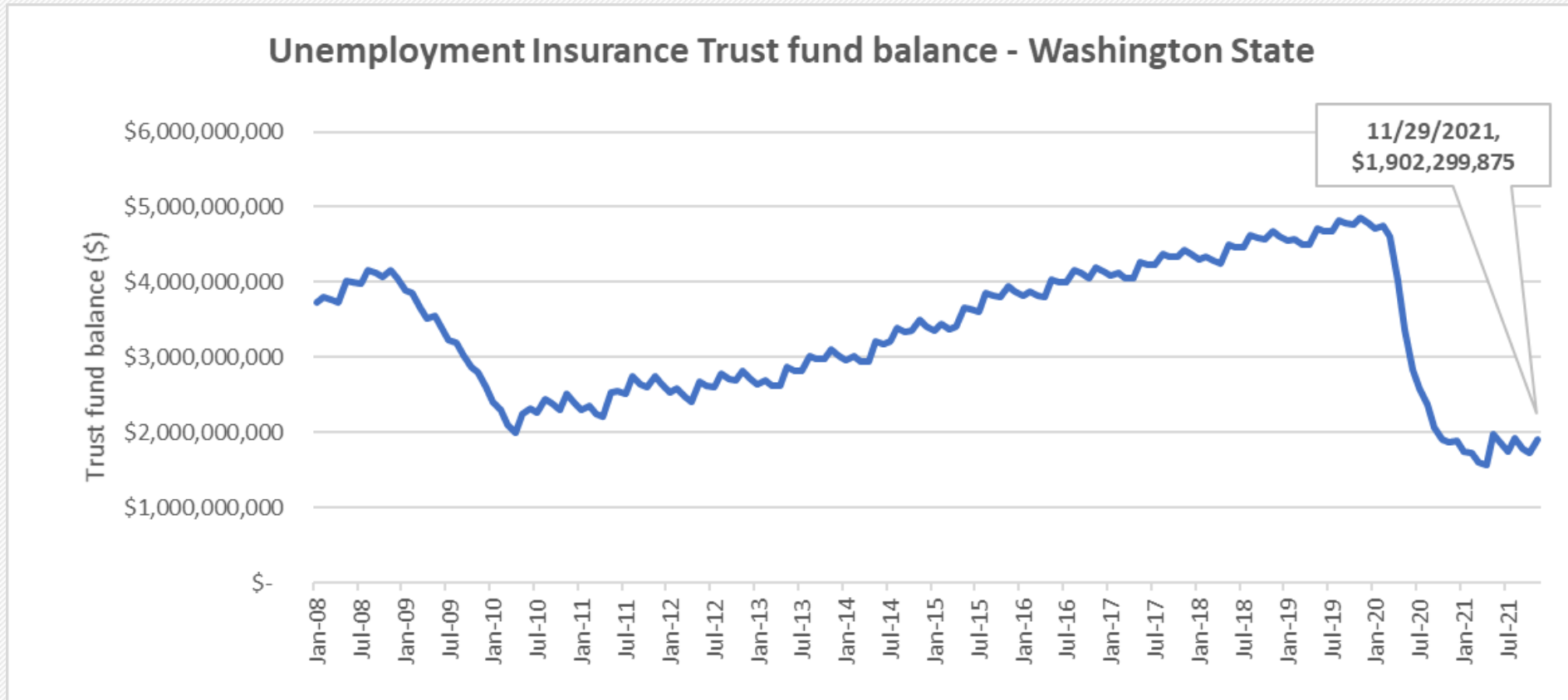
Dan Zeitlin, Employment System Policy Director

Employment Security Department

# Unemployment Insurance Trust fund



- On November 29, the UI trust fund balance was \$1.9 billion



# Months of Benefits Calculation



**Trust Fund Balance:** \$1.74 billion

**Total Wages:** \$201 billion

**Reserve Ratio (RR):**  $\left(\frac{\$1.74\text{billion}}{\$201\text{ billion}}\right) * 100 = 0.86$

**Average High-Cost Rate (AHCR):** 2.44

**Months of Benefits:**  $\left(\frac{0.86}{2.44}\right) * 12 = \mathbf{4.2\text{ Months of Benefits}}$

# November UI Trust Fund Report: Key Takeaways



- The unemployment trust fund balance is generally beginning a positive trajectory.
- The trust fund balance for 2022-2025 is expected to be higher than predicted in the September report.
- At 1.45%, the average projected tax rate for 2022 remains unchanged from the September report.
- Benefit payments are projected to be approximately \$11 million higher in 2022 than projected in the September report.

# 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 November 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 September 2021 (Q3 2021).



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

<b>Taxes</b>	<b>CY 2019</b>	<b>CY 2020</b>	<b>CY 2021</b>	<b>CY 2022</b>	<b>CY 2023</b>	<b>CY 2024</b>	<b>CY 2025</b>
Average experience tax rate (percent)	0.93%	1.00%	1.07%	0.97%	1.13%	1.15%	1.02%
Experience tax contributions (in millions)	\$933.7	\$1,040.7	\$1,210.87	\$1,219.9	\$1,485.3	\$1,556.8	\$1,421.3
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	\$332.29	\$610.5	\$560.7	\$560.1	\$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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total average tax rate (experience tax + social tax)</b>	<b>1.08%</b>	<b>1.16%</b>	<b>1.36%</b>	<b>1.45%</b>	<b>1.56%</b>	<b>1.56%</b>	<b>1.43%</b>
<b>Total tax contributions</b>	<b>\$1,094.1</b>	<b>\$1,209.9</b>	<b>\$1,543.2</b>	<b>\$1,830.4</b>	<b>\$2,046.0</b>	<b>\$2,116.9</b>	<b>\$1,988.5</b>
<b>Benefits</b>							
Weeks compensated (in millions) - regular benefits	\$2.1	\$10.3	\$3.6	\$2.1	\$2.1	\$2.2	\$2.2
Average weekly benefit amount	\$477.8	\$447.4	\$503.8	\$613.9	\$642.1	\$665.5	\$693.2
Regular benefit payments	\$1,010.6	\$4,544.8	\$1,788.3	\$1,311.4	\$1,326.0	\$1,438.4	\$1,529.9
Total benefit liability	\$949.9	\$4,272.1	\$1,681.0	\$1,232.8	\$1,246.4	\$1,352.1	\$1,438.1
Reimbursable benefit payments	\$60.6	\$272.7	\$107.3	\$78.7	\$79.6	\$86.3	\$91.8
<b>Total benefit payments</b>	<b>\$1,010.6</b>	<b>\$4,544.8</b>	<b>\$1,788.3</b>	<b>\$1,311.4</b>	<b>\$1,326.0</b>	<b>\$1,438.4</b>	<b>\$1,529.9</b>
<b>Trust fund</b>							
Beginning trust fund balance	\$4,603.5	\$4,778.1	\$1,890.6	\$1,790.8	\$2,431.9	\$3,293.6	\$4,142.1
Trust fund interest	\$113.0	\$77.8	\$38.1	\$43.5	\$62.1	\$83.7	\$103.4
Total tax contributions	\$1,094.1	\$1,209.9	\$1,543.2	\$1,830.4	\$2,046.0	\$2,116.9	\$1,988.5
Reimbursements from reimbursables	\$60.6	\$61.6	\$62.6	\$63.6	\$64.6	\$65.6	\$66.6
Total benefit payments	\$1,010.6	\$4,544.8	\$1,788.3	\$1,311.4	\$1,326.0	\$1,438.4	\$1,529.9
<b>Ending trust fund balance (as of 12/31)</b>	<b>\$4,778.1</b>	<b>\$1,890.6</b>	<b>\$1,790.8</b>	<b>\$2,431.9</b>	<b>\$3,293.6</b>	<b>\$4,142.1</b>	<b>\$4,795.9</b>
<b>Months of benefits available (as of 9/30)</b>	<b>15.0</b>	<b>6.6</b>	<b>4.2</b>	<b>4.9</b>	<b>6.6</b>	<b>8.3</b>	<b>9.5</b>

# UI Trust Fund Forecast (November 2021)



	September Forecast	November Forecast
2021 Unemployment Benefit payment projection	\$1.9 Billion	\$1.8 Billion
2022 Unemployment Benefit payment projection	\$1.3 Billion	\$1.3 Billion
2021 Employer Contributions	\$1.4 Billion	\$1.5 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):	\$1.8	\$1.3	\$1.3	\$1.4	\$1.5

# 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.
- Benefit charge relief in ESSB 5061 is projected to result in \$370M less in experience tax collections in 2022 and ESSB 5478 will relieve employers of \$500M more in taxes.

## Average Experience Tax Rates

CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
1.07%	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 ESSB 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.

## 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%

# Social Tax Rate



- Flat social tax calculation for 2022:  
Benefit Payments: \$2.56 Billion  
Experience Rated Taxes Paid: \$1.32 Billion  
Taxable Wages: \$109.58 Billion  
Flat social tax rate:  
$$(\$2.56 \text{ (benefit payments)} - \$1.32 \text{ (experience taxes)}) / \$110 \text{ (taxable wages)}$$
$$= \mathbf{1.13\%}$$
- The social flat tax rate will be capped at .75% in 2022 (adjusted for each rate class) and would have been at 1.13% without ESSB 5061.
- The .75% social tax cap in 2022 under ESSB5061 is projected to reduce social tax collections by \$360M compared to the uncapped amount.

# Components of Annual Tax calculation – Social tax



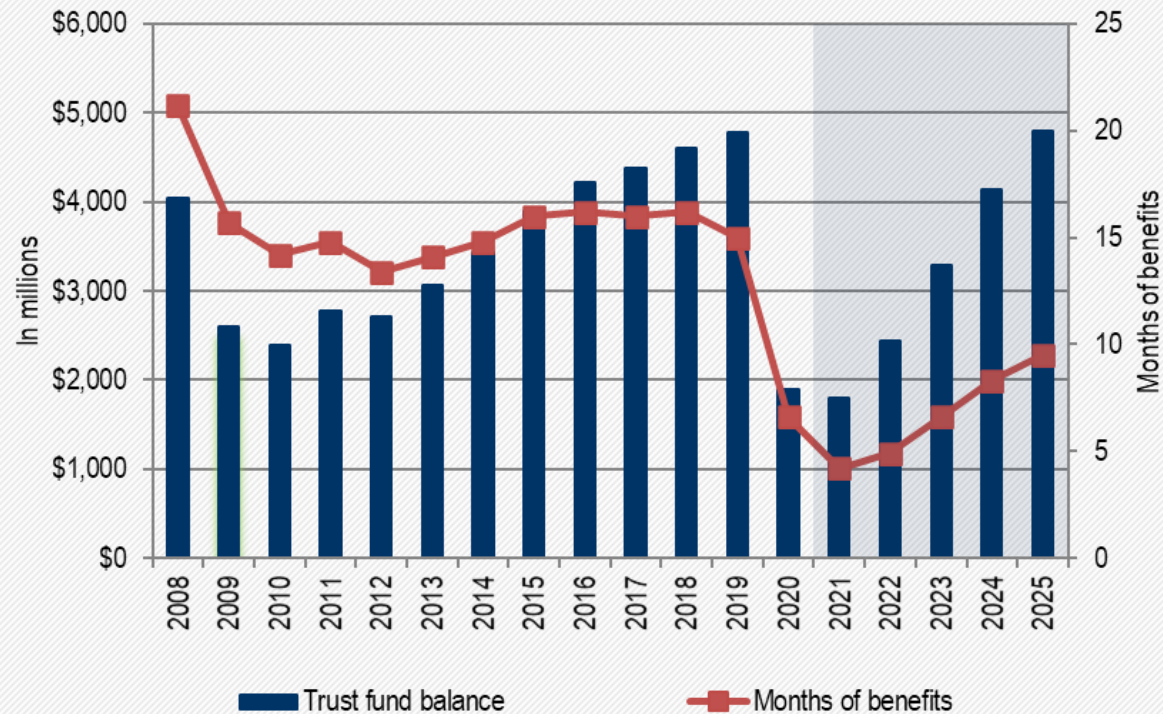
Rate Class	Graduation Factor	Capped Flat Social Factor	Capped Graduated Social Factor	Uncapped Flat Social Factor	Uncapped Graduated Social Factor	Difference
1	40%	0.75%	0.30%	1.13%	0.45%	0.15%
2	44%	0.75%	0.33%	1.13%	0.50%	0.17%
3	48%	0.75%	0.36%	1.13%	0.54%	0.18%
4	52%	0.75%	0.39%	1.13%	0.59%	0.20%
5	56%	0.75%	0.42%	1.13%	0.63%	0.21%
6	60%	0.75%	0.45%	1.13%	0.68%	0.23%
7	64%	0.75%	0.48%	1.13%	0.72%	0.24%
8	68%	0.75%	0.51%	1.13%	0.77%	0.26%
9	72%	0.75%	0.54%	1.13%	0.81%	0.27%
10	76%	0.75%	0.57%	1.13%	0.86%	0.29%
11	80%	0.75%	0.60%	1.13%	0.90%	0.30%
21-40	120%	0.75%	0.90%	1.13%	1.36%	0.46%



# Projected Trust Fund Balances



- Approximately 1.8 billion (2021); \$2.4 billion (2022); \$3.3 billion (2023); \$4.1 billion (2024); and \$4.8 billion (2025)



# ESSB 5061 and ESSB 5478 Impacts



- With roughly \$1.2 billion in benefit charge relief provided in ESSB 5061, employers are projected to pay roughly \$430 million less in experience taxes in 2021 and 2022.
- With the lower social tax cap in ESSB 5061, employers are projected to pay roughly \$480 million less in social taxes in 2021 and 2022.
- With a solvency tax freeze through 2025, employers did not pay that tax in 2021 and will not pay it in 2022 resulting in \$480 million in tax savings.
- ESSB 5478 will relieve employers of \$500M more in UI taxes.