

A photograph showing the silhouettes of several people standing in a room with large windows. The sun is shining through the windows, creating a bright, hazy light. The people appear to be in a meeting or collaborative work environment.

Unemployment Insurance ADVISORY COMMITTEE



Employment Security Department
WASHINGTON STATE

Agenda



- I. Approval of June 25, 2025 meeting minutes
- II. Trust Fund Modelling Update
- III. June Trust Fund Report
- IV. MWBA Report
- V. Unemployment Insurance Collections Update
- VI. Rulemaking
- VII. 2026 Agency Request Legislation
- VIII. Budget / Decision Packages
- IX. Public comment
- X. Adjourn

Trust Fund Modelling Update



**Employment
Security
Department**
WASHINGTON STATE

Josh Dye, Government Relations Director, ESD

Vaughn Ellis, Actuarial Analyst, ESD

ESD Actuarial Office



Establishment of Actuarial Office and UI Trust Fund Projection Modeling

- Office of Actuarial Services established in [RCW 50A.05.130](#) (PFML)
- UI Trust Fund modeling brought into the office for alignment across insurance programs akin to alignment in other areas:
 - Customer Compliance: Audit, Collections and Fraud activities.
 - Insurance Services: Benefits and Employer Services

Opportunity to revisit the accuracy of ESD's UI Trust Fund projections model.

UI Pandemic History



Pandemic greatly increased awareness of UI program

- Roughly 2 million unemployed workers filed for UI benefits with 1.2 million (1 out of 3) Washington workers receiving UI payments during the pandemic.

Laws enacted during the pandemic provided tax relief

- Legislation prevented employers from paying roughly \$2.5 billion in state UI taxes ([ESSB 5061](#), [5873](#) and [5478](#)) with yearly average UI tax rates lower coming out of the pandemic than the Great Recession. Bills waived certain experience rate taxes, capped social tax rates and froze the solvency tax through 2025.

UI Trust Fund Model



Current model (regression)

- The current model uses static variables relying on economic assumptions sourced from the Economic and Revenue Forecast Council's quarterly economic forecast: unemployment rate, wage and salary growth, employment growth, and consumer price index growth

Testing updated model (time series) for potentially better accuracy

- Updated model also considers dynamic variables looking at historical experience to make projections for weeks paid. This adjustment is motivated by an observed change in program usage starting in 2023.
- Example: UI reciprocity rates rose from near 27% pre-Covid to 32% in 2023-24 to 37% as of May 2025. In addition, recipients have been more likely to exhaust benefits.

UI Reciprocity Rate



Program awareness* **program usage surged to record high during pandemic**

- 2019 annual initial claims at 347K vs. 2 million in 2020
- Awareness of systemic labor vulnerabilities, especially for low-wage, frontline and gig worker during pandemic

Labor market dynamics**

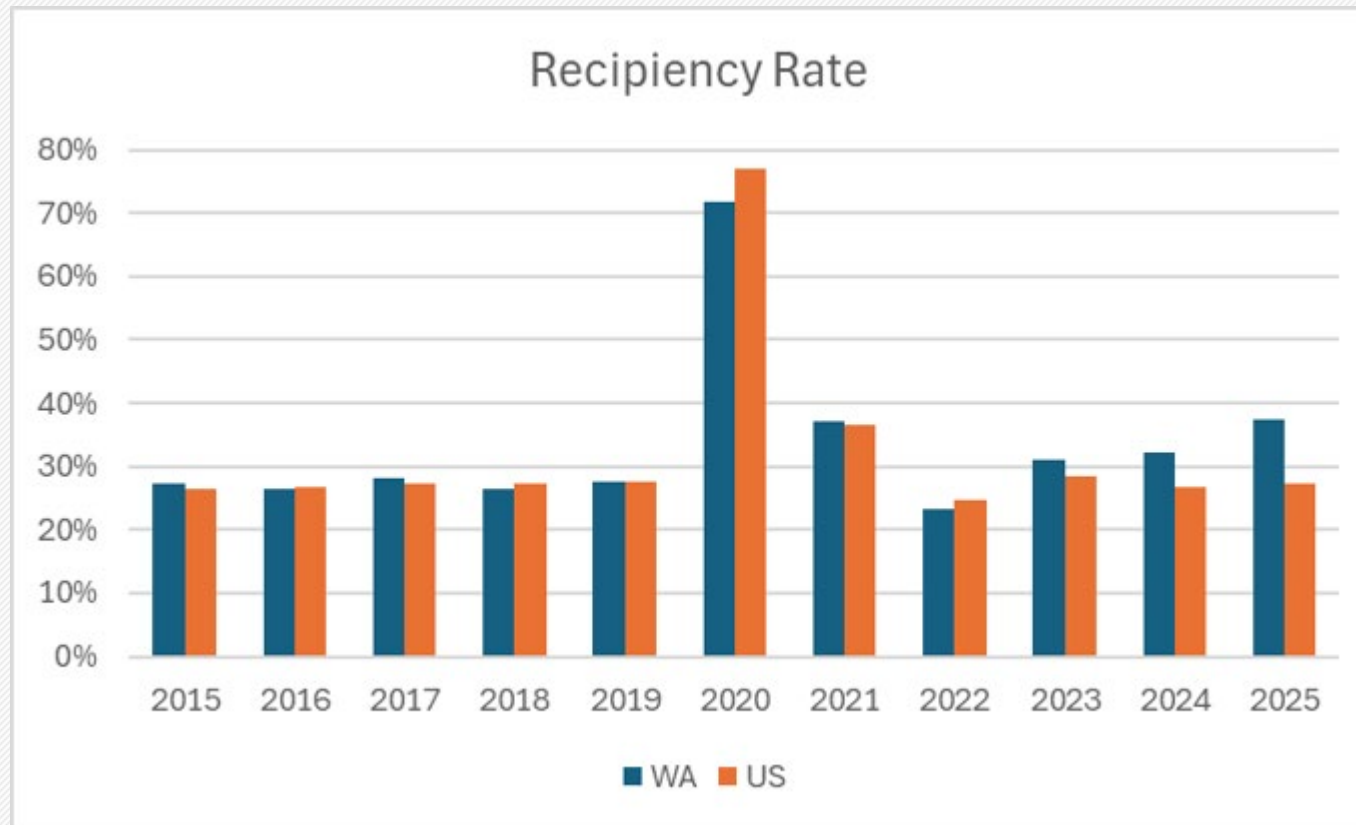
program usage shift unevenly at industry or occupation level

- Construction, tech, manufacturing, and wholesale industries show larger increase in program usage, likely driven by housing market stagnation, AI disruption, and policy uncertainties
- Greater reduction in management roles

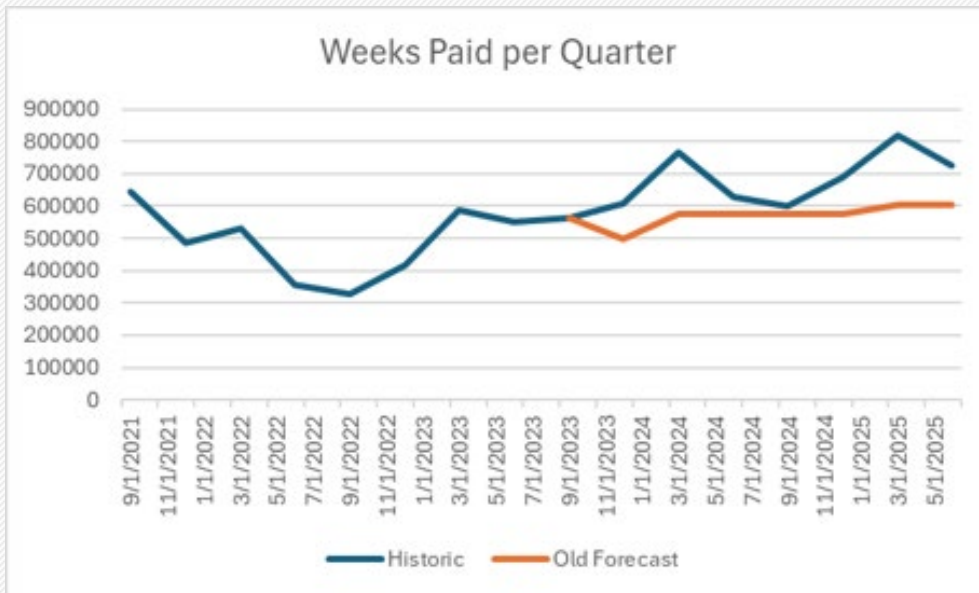
*ETA5159

**ETA203 provide characteristics of UI claimants at monthly basis

UI Reciprocity Rate

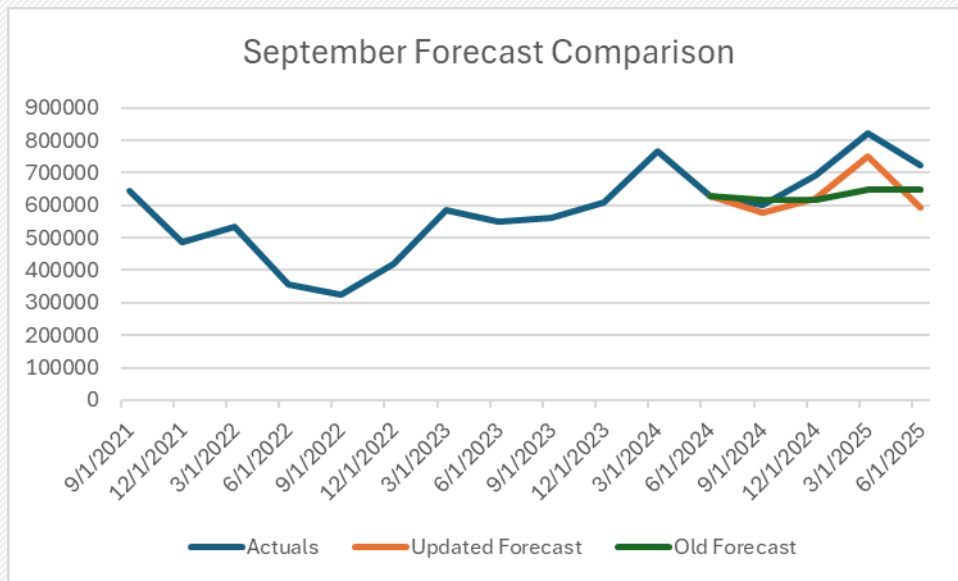


UI Trust Fund Model



**Post-Pandemic model projections
not aligned with number of weeks
paid actuals**

UI Trust Fund Model



Testing updated model to see how it aligns with actuals.

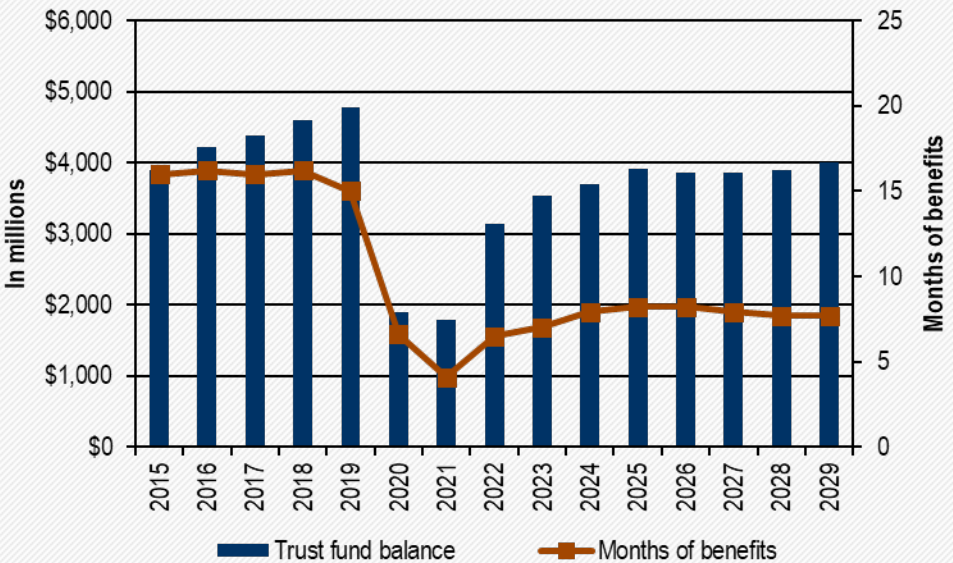
Time series projections showing reliability as better suited for evolving conditions and more responsive to the recent trends.



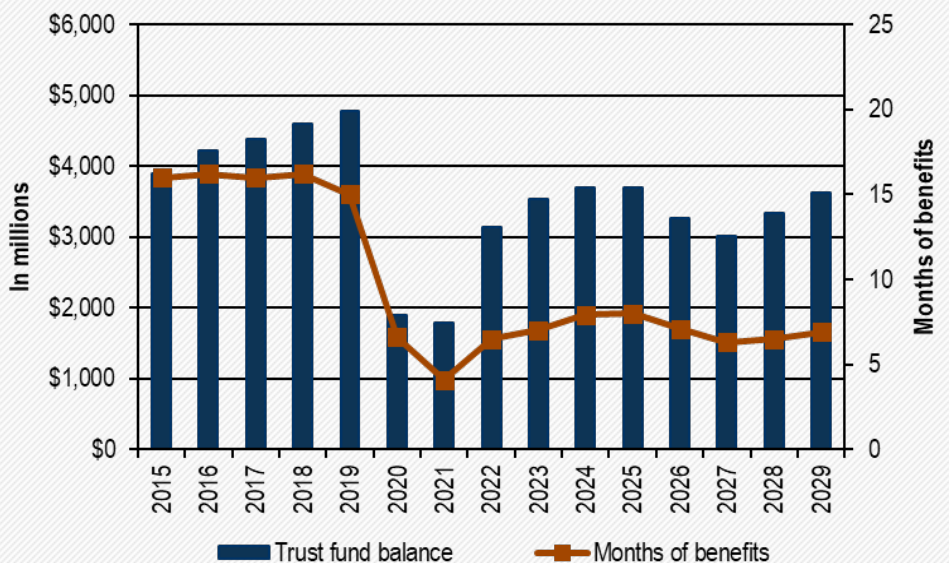
June UI Trust Fund Report: Fund Balance

On July 1, the UI trust fund held approximately \$3.7 billion, and we project a balance of \$3.7 billion at end of 2025

Regression Forecast (Old Model)



Time Series Forecast (Updated Model)

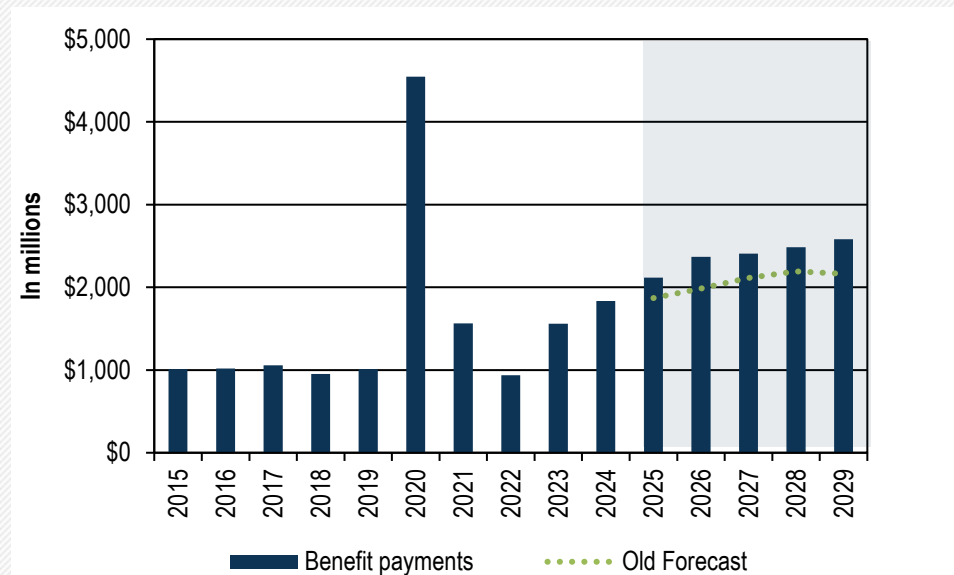




June UI Trust Fund Report: Payments



Projected Benefit Payments	March 2025	June 2025
2025	\$ 1.8 Billion	\$ 2.1 Billion
2026	\$ 1.9 Billion	\$ 2.4 Billion

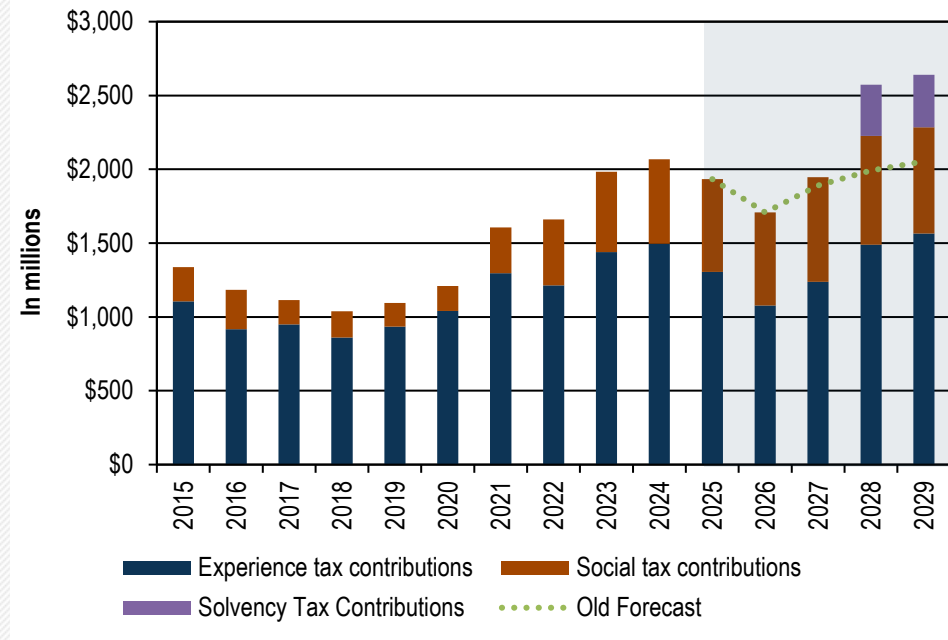




June Trust Fund Report: Contributions



Projected Employer Contributions	March 2025	June 2025
2025	\$1.8 Billion	\$1.9 Billion
2026	\$1.7 Billion	\$1.7 Billion



Next Steps



For future UI Trust Fund reports will:

- Continue to test updated model against the previous model along side trust fund actuals.
- Continue adaptive planning as needed to further refine the model.
- Include comparison of updated and old models in trust fund reports.

MWBA Report



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Josh Dye, Government Relations Director, ESD

MWBA Annual Report



- The MWBA increased from \$342/week to \$366/week on June 30, 2025.
- For some MWBA recipients, this may increase the total benefit amount
- For MWBA recipients that don't have a corresponding increase in total benefits claimable, the number of weeks they can claim before exhausting may decrease (frontloading).
- The average replacement rate for MWBA recipients is higher than the average replacement rate for other claimants

Unemployment Insurance Collections Update



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Corbin Foster, Enterprise Financial Recovery Manager, ESD



Unemployment Insurance Collections Update



- Overpayments occur when a claimant receives benefits, they were not eligible for
 - This money belongs to the state's unemployment insurance trust fund and must be returned
- If a claimant cannot pay, they can contact the ESD Collections Unit for a payment plan
- If they do not make payments or default on a payment plan, then the agency may take certain legal actions
 - This may include filing a lien and then garnishing wages
- As of July 2025, the agency is increasing legal action to recover overpayments
- A pre-lien notice is first sent to notify the claimant that the agency is preparing to take legal action
 - Verbiage on the letter strongly encourages the claimant to contact the Collections Unit to discuss their options

Rulemaking update



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Stephanie Frazee, Lead Tax Policy Specialist, ESD



Rulemaking update



- **CRO Filing** – We are amending our rules to clarify filing requirements with the Commissioner’s Review Office. Hearing is tentatively scheduled for September 25 at 9:00 AM.
- **Transportation Network Companies** – We are working on rules on quitting for reduction of hours or compensation of 25% or more for TNC drivers and adding a rule on relief of benefit charges for employers who offer part-time work. We are finalizing the CR 102. Hearing should take place in October.
- **Rule Governance Statement** – We have started a rulemaking to update WAC 192-01-001 to include administration of the mass layoffs program under Title 49 RCW, in accordance with ESSB 5525.

2026 Agency Request Legislation



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Josh Dye, Government Relations Director, ESD



2026 Agency Request Legislation



Subject	Summary
Updating and sunseting certain Legislatively-mandated reports	Looking at the full list of reports ESD is required to complete based on Legislative requirement; want to reduce or align redundancies, sunset reports no longer necessary or better aligned elsewhere. UI example is the bi-annual work search activity report, could statute be updated to require ESD to work with UIAC instead of doing a Legislative report.
Data privacy provisions for information collected under ESSB 5525 (2025)	Under new State WARN requirements, employers must include employee name and addresses in a mass layoff or business closure notification sent to ESD; this legislation would apply explicit data privacy protections to the program, which is in Title 49 RCW.

Potential Decision Packages

Martin McMurry, Chief Operating Officer, ESD



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Budget / Decision Packages



FY26 Supplemental Budget Decision Packages will primarily be technical, specific, and limited in scope.

1. **Federal Funds Adjustment:** maintenance level proposal required of each agency with federal funds, to update what is anticipated from federal revenues.
2. **Compensation and Central Service Technical Correction:** maintenance level correction to agency fund sources used for staff compensation changes and central services charges.
3. **WorkSource Integrated Technology (WIT) Implementation:** policy level request that adjusts for changes in the project timeline, and ongoing funding for changes in maintenance and operations costs.
4. **Federal Funds Shortfall:** policy level request to address a reduction to the UI Administrative grant to support UI program operations.



WIT Project Implementation



Summary

- Employment Security and WorkSource partners will use the Workforce Integrated Technology (WIT) system to deliver and track statewide employment services for job seekers and employers.
- Implementation has been delayed due to typical vendor scope changes due largely to the complexity of federally-required data reporting, a core component for USDOL compliance.
- Decision package will request current biennium Maintenance and Operations funds be used for system completion.
- WIT project funds from SFY 25 were underspent by approximately \$3 million, so there is a net impact to the fund balance (CPP).



Federal Funds Shortfall



Summary

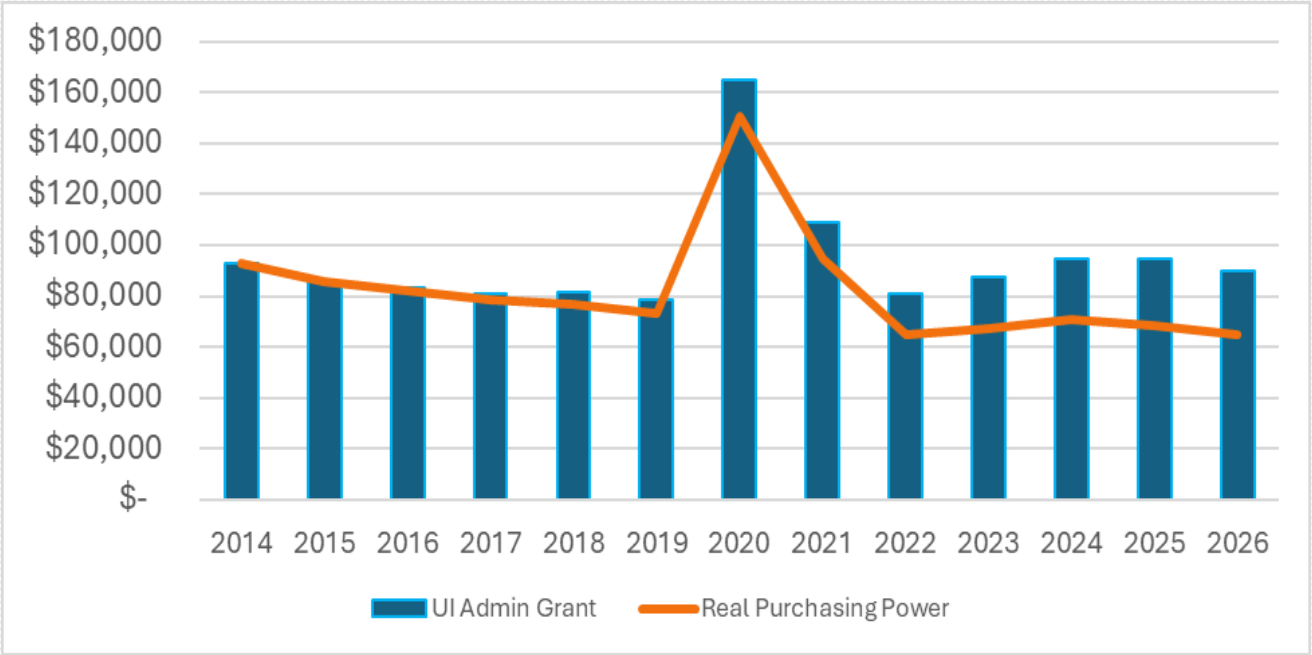
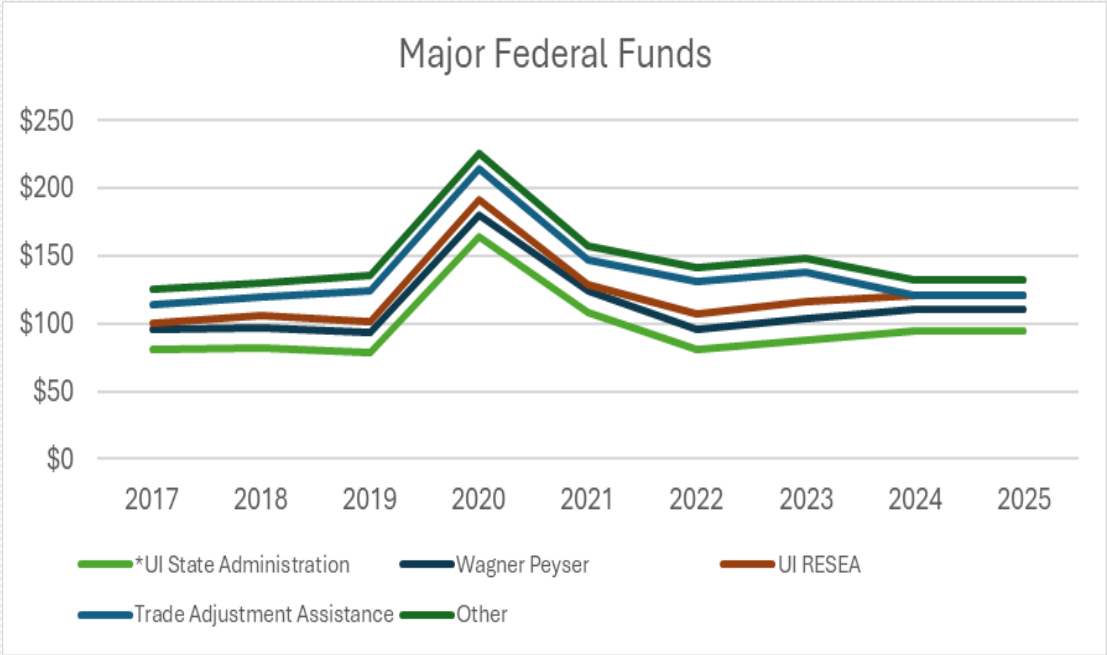
- The federal Continuing Resolution enacted in March reduced UI administration funding by roughly 5%.
- Since $\frac{3}{4}$ of the funding for the FFY occurred in state fiscal year 2025, the full reduction will hit the SFY 26 budget.
- Known reduction to FFY2025 UI base of \$5M from prior USDOL guidance. FFY2026 is reduced by \$9M from the same guidance. There is continuing uncertainty regarding funding going forward.
- Employment Security proposes authorization to use the remaining federal Reed Act funding to address the 2025–27 gap in revenues.



Federal Funds Picture



Federal funds have remained flat while operating costs have increased

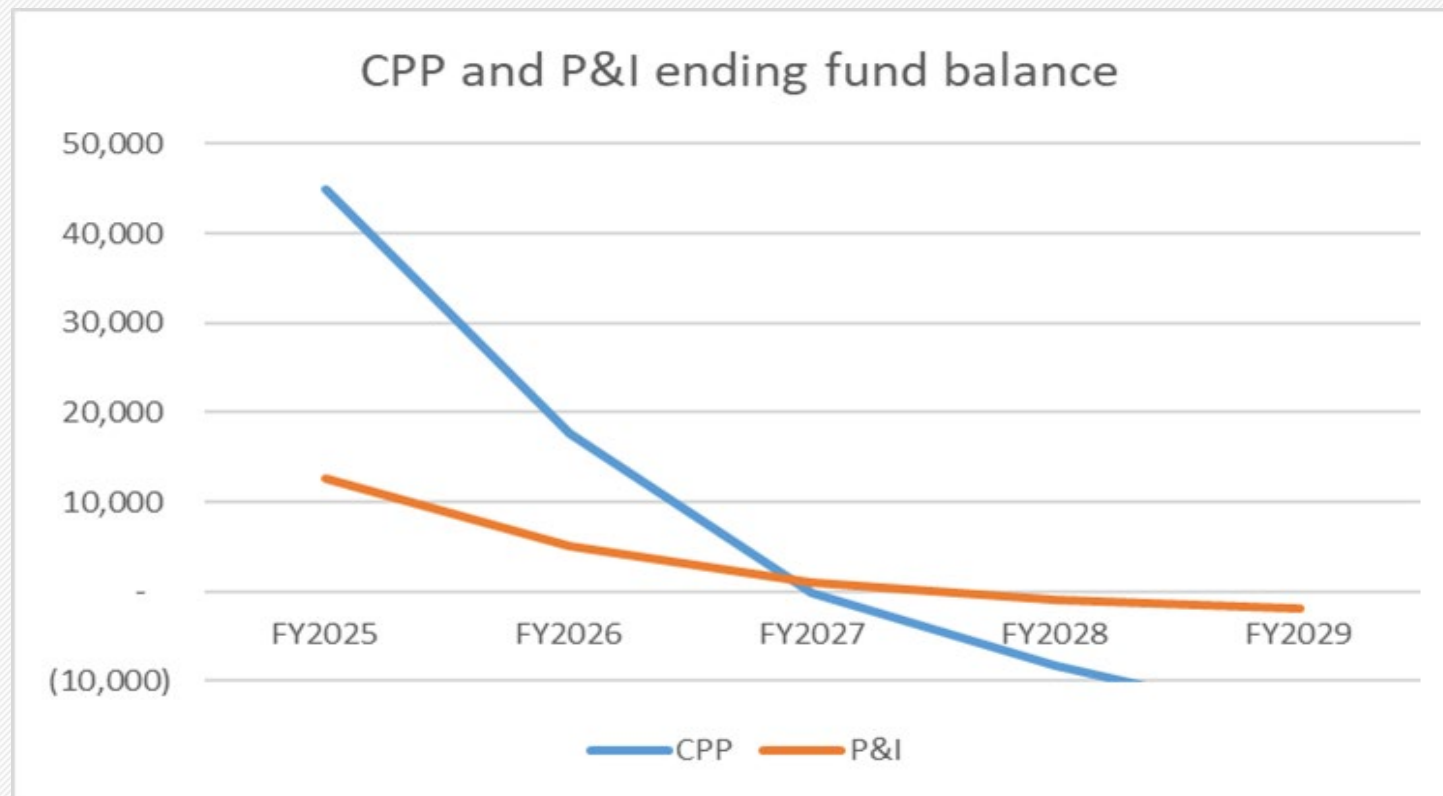




State Funds Picture



The enacted budget projects a deficit in Employment Security state funds.



Public Comment



- If you would like to make public comment, please state your name and spell it so we can capture it correctly for the minutes, as well as the organization you represent if any.
- **Reminder:** Your comments are being recorded.
- If you would like your comments to be included in the meeting minutes, please submit them in writing via email to Camille Galeno at camille.galeno@esd.wa.gov. *(Camille's email will be posted in the chat)*
- Please limit your comments to **two minutes**.

Thank you

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