

# **Unemployment Insurance Advisory Committee**

#### **Meeting details**

Date: Wednesday, August 20th, 2025

**Time:** 1:00 pm – 3:00 pm

Location: Zoom

#### Committee members and alternates present

#### **Employee Representatives**

- Cindy Richardson, UNITE HERE Local 8
- John Traynor, Washington State Labor Council
- Brenda Wiest, Teamsters 117

#### **Employer Representatives**

- Josie Cummings, Avista
- Julia Gorton, Washington Hospitality Association
- Max Martin Association of Washington Business (alternate interim employer rep)

#### General Public Representatives

- John Glynn, Washington Workforce Association
- Anne Paxton, Unemployment Law Project

#### ESD staff

- Joshua Dye
- Todd Dixon
- Denice Craig
- Vaughn Ellis
- Corbin Foster
- Stephanie Frazee
- Gerald Gabbard
- Camille Galeno
- Colin Helsley
- Kennidi Hunsicker

#### Committee members and alternates absent

- Joe Kendo, Washington State Labor Council (alternate employee rep)
- Katie Beeson, Washington Food Industry Association (alternate employer rep)
- Monica Holland, Northwest Justice Project (alternate public rep)
- Allyson O'Malley-Jones, Northwest Justice Project (alternate public rep)
- Morgan Irwin, Association of Washington Businesses (interim employer rep)

- Mariana Hernandez
- Reese Hutchison
- Brian Kennedy
- Matthew Klein
- Marypat Meuli
- Preston Parish
- IR Richards
- Stephanie Sams
- Eve Sheng
- Rain Walsh

#### Summary

#### Meeting Recorded

This meeting was <u>recorded</u> and livestreamed by TVW. Please reference this recording for further meeting details and full dialogue using the indicated timestamps.

#### Welcome and Opening Remarks

Committee chair JR Richards welcomed everyone to the meeting and asked committee assistant Colin Helsley to call roll.

#### Agenda

JR reviewed the following agenda items (also see Addendum I)

- Approval of June 25, 2025, meeting minutes
- Trust Fund Modelling Update
- June Trust Find Report
- MWBA Report
- Unemployment Insurance Collections Update
- Rulemaking
- 2026 Agency Request Legislation
- Budget/Decision Packages
- Public comment
- Adjourn

#### **Meeting Minutes**

JR requested that committee members review the June 25, 2025, draft UIAC meeting minutes and provide their feedback. Julia Gorton moved to approve the minutes. John Traynor seconded the motion. All in favor said "aye". No members were opposed. The June 25, 2025, meeting minutes were approved.

#### Trust Fund Modelling Update

Josh Dye, Government Relations Director, ESD and Vaughn Ellis, Actuarial Analyst, ESD, provided an update on the trust fund modelling using the following slides.

#### **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.
- <u>Example</u>: UI recipiency 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 Recipiency 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

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, Al disruption, and policy uncertainties
- Greater reduction in management roles

### UI Recipiency 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)**



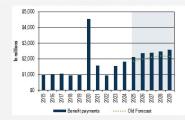
#### **Time Series Forecast (Updated Model)**

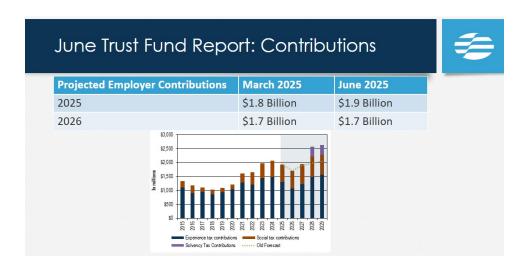


# June UI Trust Fund Report: Payments



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





### 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.

#### Recording timestamp 00:20:08

Question from Julia Gorton: Thank you, and I guess I have a question maybe wrapped in a comment, which is, I'm sure, your favorite. In Washington, we have the highest minimum benefit amount, the highest average, the highest maximum. I mean, I think that is certainly contributing to program usage, which, you know, we've seen is much higher than the national average. And yet, right as was mentioned, we made it through the global pandemic, the Great Recession, without the need of having to take a federal loan. Which is great. I think having a, right, a healthy, trust fund is what we should all be shooting for. So, I think, arguably, we probably have the healthiest trust fund in the country. So, I guess my question is, right as we're looking at new models that more accurately project, program usage. Is there gonna be any kind of actuarial study on if 7 months of benefits is really appropriate or necessary? To avoid, right, the position of being in a federal, and needing a federal loan. So just, I guess the question is, are we looking at, what an appropriate reserve level is?

Answer from Josh Dye: Yeah, that's a great question, Julia, and the short answer is yes, we're looking at that. The 7 month or so on the federal level, it kicks in at 3 months. At the state level, we have it at 7 to kind of give a buffer, and absolutely part of that work as we're going through and looking at this model is kind of Trying to see if we can figure out if that 7 months is the right spot to be at.

**Question from Katie Beeson:** In conjunction a little bit with Julia's question, since we have this information so far in advance, is the department planning to look at mitigation strategies to avoid a solvency tax, and if so, what and when would those start occurring, or when would we start having those conversations? Is it too early now, to avoid that tax in the future?

Answer from Josh Dye: Yeah, that's a great question. So, one thing I would be remiss if I didn't point out is the actual solvency tax will be based on the actual numbers once we get there. The projections are just kind of a look ahead to, like you're mentioning, is there anything we can do ahead of time to help either mitigate or push that off? Yes, there are absolutely, there are a lot of conversations in the building, and we expect to, expand those conversations to stakeholders, also going in as we start, you know, preparing. I can't believe I'm saying this already in August, as we start preparing for the next legislative session. So yeah, there will definitely be conversations. Some of it will come down to, you know. Some policy decisions that need to be made outside of, you know, outside of the agency. And then some of that will but we will definitely plan to be at the table and involved in those conversations.

#### Recording timestamp 00:23:28

Question from Josie Cummings: Alright, I'll jump in. Thanks for your presentation, Josh. Just want to say thanks for the report and the communication from you and your team, that's been helpful. One of the questions that I have that we talked a little bit about previously was, if the solvency tax goes into effect, we anticipate it being into effect for a few years until we get to kind of that 9-month, threshold. An understanding that we wouldn't know exactly what the numbers would be, but I think it would be really helpful to understand some projections of what the tax with the 2 tenths, at the 2 tenths level of a percent would be for employers to kind of have some real-life understanding of the tax impact as we are planning for that. As we kind of already just saw the largest tax increase in state history, and continue to have, some scary, budget projections in the next couple of months. So, that would just be helpful as we kind of continue these conversations, if that's something that is available to have.

Answer from Josh Dye: Yeah, thanks for that. It's definitely a conversation we've started in the building. One of the things that makes it a little difficult, especially on the UI side, is the unique individual tax situation for each employer. We're exploring different ways to try to show you know, whether it's some scenarios or some different modeling, so we could try to give a clear picture of what those impacts could be. But yeah, it's definitely something that is on our plate.

#### Recording timestamp 00:25:10

**Question from John Glynn:** Hey, sorry, thanks. I was wondering, I know that the state was very proactive in getting money that was taken from theft of the UI system. I was wondering if the fund reflects those funds coming back in or are those funds still trying to be....

Answer from Josh Dye: Yes, so when that money is put back into the trust fund, and we have been successful in recouping a good bit of that. It is factored in, because what the actual data, and Vaughn, correct me if I'm wrong on this, on September 30th is kind of when we take that shot in time to see what the balance is of the trust fund, and then looking forward to Forecasting, you know, how many months of benefits we project to be in the fund. So yeah, those funds, anything that's there on September 30th is included in that.

**Additional comment from John Glynn:** Gotcha. I know that they got back quite a bit, so... thanks. **Answer from Josh Dye:** 

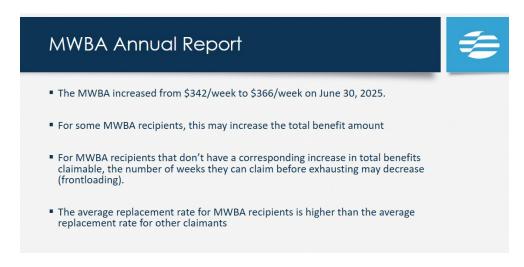
Yeah, in no way am I making it was a large chunk of money, and every dollar counts. When you look at the totality of the number of dollars in the trust fund, it takes a good bit to move the needle. We are absolutely 100% behind getting every penny of that back that we can, but it, you know, it does take a large number to move the needle.

JR Richards, UI Director, ESD, shared that the committee had already reviewed the purpose and reasoning behind the upcoming trust fund forecast report. She confirmed that the full report would be distributed after the meeting and posted publicly as usual. Members were encouraged to reach out with any questions as they review it, with transparency being a key goal—especially in anticipating future implications based on current data.

Josh Dye, Government Relations Director, ESD, invited questions following his overview.

#### **MWBA** Report

Josh Dye, Government Relations Director, ESD, provided a MWBA report using the following slides.



No questions were raised.

#### **Unemployment Insurance Collections Update**

Corbin Foster, Enterprise Financial Recovery Manager, ESD, provided an update on unemployment insurance collections using the following slides.

### **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

Before questions, JR Richards reminded the committee that the collection practices being discussed are long-standing components of the Unemployment Insurance (UI) program and not new initiatives. During the pandemic, while standard collections continued, the agency intentionally paused the use of additional legal avenues to allow for a comprehensive review of pandemic-era overpayments. This led to the launch of a dedicated overpayment project aimed at identifying debts that could be waived under the principle of equity and good conscience, specifically for claimants who received overpayments through no fault of their own. Significant resources were invested in this effort, which concluded at the end of June with positive outcomes. With that work complete, the agency is now resuming its traditional collection efforts, including the more formal options that had been temporarily paused. This transition marks a return to established procedures, timed appropriately to follow the completion of the waiver initiative.

#### Recording timestamp 00:36:15

Question from Ann Paxton: Okay, thanks. Thanks, JR. Corbin. Yes, I just wanted to follow up on that issue of waiver, because obviously the program that was a massive program during the pandemic era, that helped, so many people recover. But with this ramping up, of collections, where does waiver stand in turn, and I'm talking about the conditions for waiver claimant's awareness of the availability of waiver and how they access, an application, that those that have all been issues that we encounter in terms of their ability to get a waiver or apply for a waiver. Can you comment on where those issues stand up?

Answer from JR Richards: You know, we've always had a waiver process that looked a little bit different, pre-pandemic versus post. We're leveraging what we learned during the pandemic-era overpayments project to how we approach waivers, again, no fault of your own, and against equity and good conscience to collect. We still have those paths. Corbin and his team are aware of those paths. The claims center is aware of those paths. That's still a piece that's considered, applying what we learned during the pandemic-era, overpayment waiver project. I will say that what I appreciate about what I've seen in real life, and I've heard from claimants with Corbin and his team, is their level of education on options, and really working with claimants on, "hey, if you're not in a situation that qualifies you for a waiver, then there's options that we can work together to get this repayment." In a way that, works for an individual, if they're willing to work with us. It's a little bit harder if they don't reach out at all, and then we're going down this path, but I have seen that firsthand with his team.

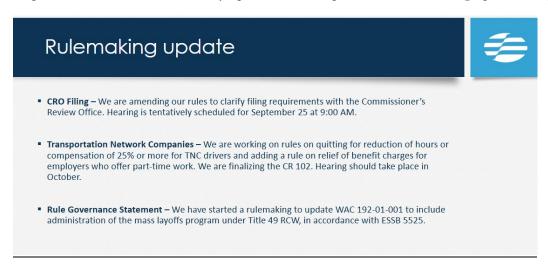
**Question from Ann Paxton:** Just one follow-up question, that pre-pandemic, the standard was pretty much exclusively financial hardship, and what is it now in the post-pandemic era? Is there any expansion in the...

**Answer from JR Richards:** And I'm not going to remember off the top of my head, but I'm happy to follow up and share with you I think we did some stuff in rulemaking and what the... exactly that looks like.

JR Richards reiterated that ESD would provide Anne more information on the post-pandemic waivers.

#### Rulemaking Update

Stephanie Frazee, Lead Tax Policy Specialist, ESD, provided a rulemaking update using the following slides.



No questions were raised.

#### 2026 Agency Request Legislation

Josh Dye, Government Relations Director, ESD, presented on 2026 agency request legislation using the following slides.

2026 Agency Request Legislation				
Subject	Summary			
Updating and sunsetting 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.			

**Question from Ann Paxton:** Just on the issue of working with, working with UIC, can you elaborate on what that means?

Answer from Josh Dye: Part of the process of developing agency requests is figure out what we want the bills to do, put together, like, a briefing memo and some more details. Our draft and create a fiscal note. Once we have all the kind of the supporting documents, we will come back and say, "okay, here's what we want to do, here are the supporting documents, what do y'all think?" And then we're able to provide that feedback along with other stakeholder feedback that we gather to the governor's office during the review process.

Josh Dye mentioned that he would be sending out emails for feedback and asked the committee members to send in their feedback when the time comes.

#### **Potential Decision Packages**

Martin McMurry, Chief Operating Officer, ESD, presented on potential decision packages using the following slides.

### **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.
- Compensation and Central Service Technical Correction: maintenance level correction
  to agency fund sources used for staff compensation changes and central services
  charges.
- 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



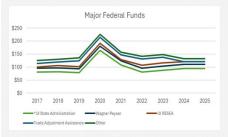
#### Summary

- The federal Continuing Resolution enacted in March reduced UI administration funding by roughly 5%.
- Since ¾ 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.

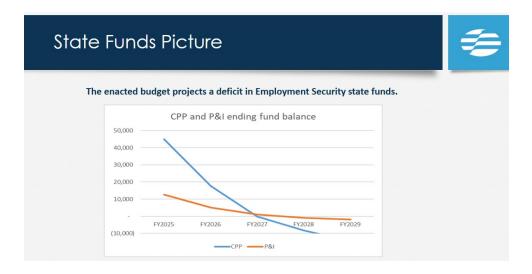
#### Federal Funds Picture



#### Federal funds have remained flat while operating costs have increased







No questions were raised.

#### **Public Comments**

Before transitioning to the public comment portion of the meeting, JR Richards took a moment to address committee members directly. There is thoughtful internal work that goes into selecting agenda topics and she encouraged members to reflect on whether the information presented has been helpful and valuable. Feedback is welcomed on both the effectiveness of current topics and suggestions for future ones, whether there are areas members would like to explore more deeply or topics they feel are less relevant. This input is essential for shaping agendas that are meaningful and beneficial to both the committee and the agency

JR reminded meeting participants that if they would like their comments captured in the meeting minutes to please email them to <u>camille.galeno@esd.wa.gov</u>.



No public comments were made.

#### Adjourned

JR thanked everyone for joining and adjourned the meeting.

#### **Action Items**

- ESD will send out report from Trust Fund Modelling Update
- ESD will provide Anne Paxton post-pandemic waivers

#### Next meeting

September 17, 2025, from 10:00 a.m. to 12:00 p.m. via Zoom.

Addendum I



### Agenda

#### Unemployment Insurance Advisory Committee (UIAC)

Wednesday, August 20, 2025 | 1:00 pm - 3:00 pm | Via Zoom | 212 Maple Park Ave SE, Olympia, WA 98501

Time	Торіс
1:00 pm	Welcome from JR Richards, Director, Insurance Services Division, Employment Security Department (ESD)  O Agenda overview
1:05 pm	Approval of June 25, 2025, meeting minutes
1:10 pm	Trust Fund Modelling Update & June Trust Fund Report – Josh Dye and Vaughn Ellis
1:25 pm	MWBA Report – Josh Dye
1:35 pm	Unemployment Insurance Collections Update— Corbin Foster
1:45 pm	Rulemaking – Stephanie Frazee
2:00 pm	2026 Agency Request Legislation – Josh Dye
2:20 pm	Budget – Decision Packages – Martin McMurry
2:50 pm	Public Comment
3:00 pm	Adjourn

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

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#### Addendum II



### **Unemployment Insurance Advisory Committee**

#### January 2025 - December 2025 Meeting Dates

Date	Location	Host	Notes
January 29, 2025 10:00 AM - 11:00 AM	Zoom	ESD	Recorded meeting
February 19, 2025, 2:00 PM - 3:00 PM	Zoom	ESD	Recorded meeting
March 19, 2025, 10:00 AM - 11:00 AM	Zoom	ESD	Recorded meeting
April 30, 2025, 2:00 PM - 3:00 PM	Zoom	ESD	Recorded meeting
June 25, 2025, 10:00 AM - 12:00 PM	Zoom	ESD	Recorded meeting
August 20, 2025, 1:00 PM - 3:00 PM	Zoom	ESD	Recorded meeting
September 17, 2025, 10:00 AM - 12:00 PM	Zoom	ESD	Recorded meeting
October 22, 2025, 1:00 PM - 3:00 PM	Zoom	ESD	Recorded meeting
December 10, 2025, 10:00 AM - 12:00 PM	Zoom	ESD	Recorded meeting

NOTE: Hosts may have the opportunity to present to the committee and bring invited guests as part of our meeting agenda.

Per vote of UI Advisory Committee members, meetings are being recorded as of 08/03/2020 meeting.

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