

Unemployment Insurance Trust Fund Forecast

November 2017

Executive summary

This report provides the status and updated projections of the state's unemployment insurance trust fund for 2016 through 2023.

As of November 30th, 2017, the Washington state Unemployment Insurance (UI) trust fund ending balance was \$4.43 billion. Unemployment benefit payments for fiscal year 2017 totaled \$939 million while revenues generated to fund the UI program in fiscal year 2017 totaled \$1.1 billion. Based upon current economic conditions, it is projected that the UI trust balance will remain solvent through 2023, with the months of benefits available in the fund projected to be between 15.3 and 16.7 months of benefits.

Contents

This report contains the following items:

- Employer contributions, benefit payments and projected trust fund balance through 2023;
- November 2017 forecast compared to the September 2017 forecast; and
- *Appendix 1*: Economic assumptions for the November 2017 forecast compared to the September 2017 forecast.

If you have any questions or concerns, please contact Scott Wheeler, Workforce Information Operations Manager, Workforce Information and Technology Services at 360-507-9615 or at swheeler@esd.wa.gov.

Introduction

This report provides information on Washington state's employer contributions, benefits and unemployment trust fund current and projected balances. The Employment Security Department's unemployment trust fund projections are reviewed and adjusted several times a year. The adjustments are made by changing several variables in the trust fund model, which are derived from the state's Economic and Revenue Forecast Council's (ERFC) quarterly economic forecast, IHS Global Insight and updated unemployment insurance reciprocity rates, and by replacing forecasted data with the most current actual data.

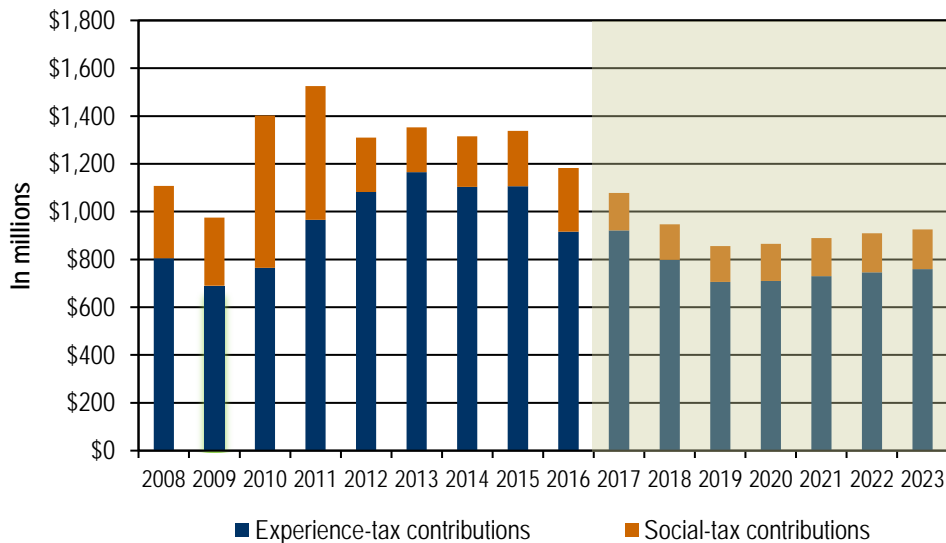
This forecast uses the November 2017 ERFC, November 2017 IHS Global Insight assumptions and actual unemployment insurance tax and benefit data through September 30, 2017. The economic assumptions used for this forecast and the September 2017 forecast are provided in *Appendix 1*.

Employer contributions

Employer contributions were about \$1.18 billion in 2016 and are projected to be approximately \$1.08 billion in 2017. Employer taxes are projected to decrease through 2019 and then gradually increase through 2023. We are seeing this decrease as we get further from the recent recession because each year's experience-rated taxes are based on employers' benefit payments of the previous four years.

Figure 1 shows projected annual employer experience tax and social tax contributions through the end of 2023.

Figure 1. Washington state unemployment insurance employer tax contributions
Washington state, 2008 through 2023
Source: Employment Security Department/WITS/ETA 2112/UI Wage File



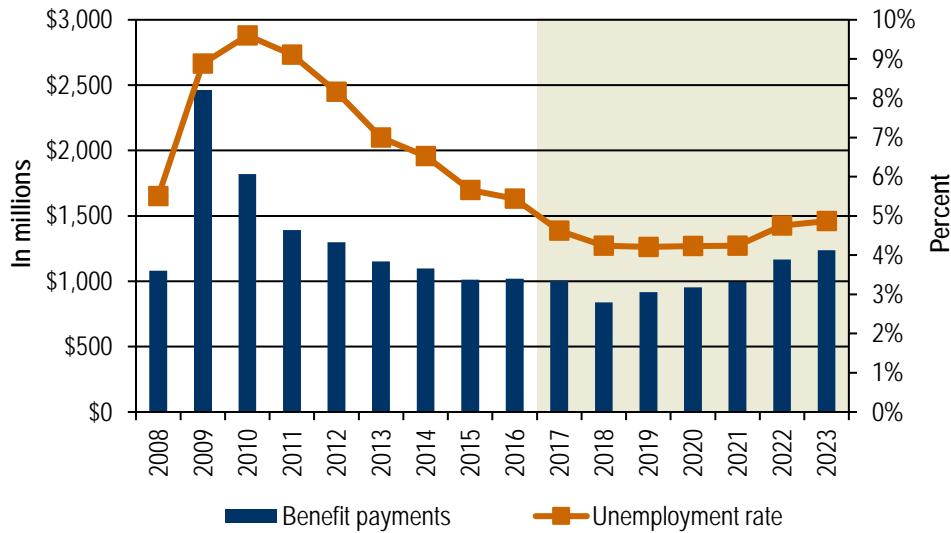
Note: Highlighted years reflect projected data.

Employer tax contributions were about \$1.18 billion in 2016 and are projected to be approximately \$1.08 billion in 2017.

Unemployment benefit payments

Benefit payments from the unemployment trust fund were approximately \$1.02 billion in 2016 and are projected to drop to \$839.1 million by 2018 before increasing steadily through 2023. *Figure 2* shows annual projections of benefit payments from the trust fund and the projected state unemployment rate through 2023. Federally funded benefits such as emergency unemployment compensation (EUC) and extended benefits are excluded from *Figure 2*.

Figure 2. Benefit payments from state unemployment trust fund
Washington state, 2008 through 2023
Source: Employment Security Department/WITS/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

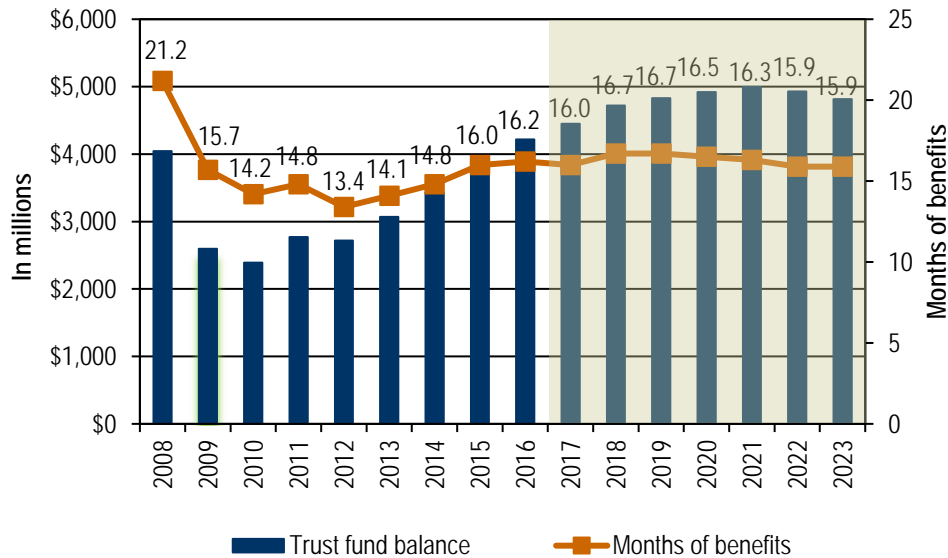
Benefit payments from the trust fund were approximately \$1.02 billion in 2016 and are projected to drop to \$839.1 million by 2018.

Trust fund balance

As of November 30, 2017, Washington state had \$4.43 billion (approximately 16.3 months of benefits) in the unemployment trust fund.

Figure 3 below shows the annual projected year-end trust fund balance through 2023. The orange line represents the months of benefits available on the date when unemployment insurance tax rates for the following year are calculated (September 30). It is important to note that individual years can have the same trust fund balance, but different months of benefits. There is not one standard cost for a month of benefits; this is seen in Figure 3 where 2021 is projected to have fewer months of benefits but a higher trust fund balance than 2020. The cost of a month of benefits varies depending on how many people in the state are working and how much they are earning.

Figure 3. Washington state unemployment trust fund and months of benefits
Washington state, 2008 through 2023
Source: Employment Security Department/WITS/ETA 2112/UI Wage File



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Note: Highlighted years reflect projected data.

The trust fund balance was at 16.2 months of benefits in 2016 and is projected to reach a peak of 16.7 months of benefits in 2018.

Trust fund scenario: November 2017 forecast compared to September 2017

This scenario compares the November 2017 forecast (top) to the published September 2017 forecast (bottom).

Figure 4. Washington state trust fund forecast

Washington state, November 2017 and September 2017

Source: Employment Security Department/WITS/ETA 2112/ETA 5159/UI Wage File

| Unemployment trust fund: Baseline forecast with 100 percent federally funded extended benefits through December 28, 2013 – November 2017 Baseline (based on actual data through September 30, 2017, and November 2017 Washington State Economic and Revenue Forecast Council and Global Insight assumptions) | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Taxes | CY 2016 | CY 2017 | CY 2018 | CY 2019 | CY 2020 | CY 2021 | CY 2022 | CY 2023 |
| Average experience tax rate (percent) | 1.07% | 1.01% | 0.90% | 0.77% | 0.75% | 0.75% | 0.75% | 0.75% |
| Experience tax contributions (in millions) | \$916.8 | \$921.6 | \$798.5 | \$705.4 | \$709.5 | \$729.9 | \$746.5 | \$760.0 |
| Flat social tax rate (percent) | 0.27% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% |
| Social tax contributions (in millions) | \$265.9 | \$156.5 | \$148.7 | \$150.9 | \$155.1 | \$159.5 | \$163.1 | \$166.1 |
| Solvency tax rate (percent) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Solvency tax contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total average tax rate (experience tax + social tax) | 1.38% | 1.19% | 1.06% | 0.93% | 0.91% | 0.91% | 0.91% | 0.91% |
| Total tax contributions (in millions) | \$1,182.6 | \$1,078.1 | \$947.2 | \$856.3 | \$864.6 | \$889.4 | \$909.6 | \$926.1 |
| Benefits | | | | | | | | |
| Weeks compensated (in millions) - regular benefits | 2.3 | 2.1 | 1.9 | 1.9 | 2.0 | 2.0 | 2.2 | 2.3 |
| Average weekly benefit amount | \$443.40 | \$483.68 | \$452.50 | \$469.64 | \$486.18 | \$506.90 | \$525.94 | \$544.89 |
| Regular benefit payments (in millions) | \$1,019.0 | \$1,002.3 | \$839.1 | \$915.6 | \$952.7 | \$995.8 | \$1,165.5 | \$1,238.5 |
| Total benefit liability (in millions) | \$957.9 | \$942.2 | \$788.7 | \$860.7 | \$895.5 | \$936.0 | \$1,095.6 | \$1,164.2 |
| Reimbursable benefit payments (in millions) | \$61.1 | \$60.1 | \$50.3 | \$54.9 | \$57.2 | \$59.7 | \$69.9 | \$74.3 |
| Total benefit payments (in millions) | \$1,019.0 | \$1,002.3 | \$839.1 | \$915.6 | \$952.7 | \$995.8 | \$1,165.5 | \$1,238.5 |
| Trust fund | | | | | | | | |
| Beginning trust fund balance (in millions) | \$3,900.7 | \$4,215.5 | \$4,449.1 | \$4,719.2 | \$4,831.8 | \$4,920.3 | \$4,995.1 | \$4,931.2 |
| Trust fund interest (in millions) | \$90.0 | \$97.7 | \$111.6 | \$116.9 | \$119.4 | \$121.5 | \$122.0 | \$119.9 |
| Total tax contributions (in millions) | \$1,182.6 | \$1,078.1 | \$947.2 | \$856.3 | \$864.6 | \$889.4 | \$909.6 | \$926.1 |
| Reimbursements from reimbursables (in millions) | \$61.1 | \$60.1 | \$50.3 | \$54.9 | \$57.2 | \$59.7 | \$69.9 | \$74.3 |
| Total benefit payments (in millions) | \$1,019.0 | \$1,002.3 | \$839.1 | \$915.6 | \$952.7 | \$995.8 | \$1,165.5 | \$1,238.5 |
| Ending trust fund balance as of 12/31 (in millions) | \$4,215.5 | \$4,449.1 | \$4,719.2 | \$4,831.8 | \$4,920.3 | \$4,995.1 | \$4,931.2 | \$4,813.0 |
| Months of benefits available as of 9/30 | 16.2 | 16 | 16.7 | 16.7 | 16.5 | 16.3 | 15.9 | 15.9 |
| Unemployment trust fund: Baseline forecast with 100 percent federally funded extended benefits through December 28, 2013 – September 2017 Baseline (based on actual data through June 30, 2017, and September 2017 Washington State Economic and Revenue Forecast Council and Global Insight assumptions) | | | | | | | | |
| Taxes | CY 2016 | CY 2017 | CY 2018 | CY 2019 | CY 2020 | CY 2021 | CY 2022 | CY 2022 |
| Average experience tax rate (percent) | 1.07% | 1.04% | 0.90% | 0.88% | 0.77% | 0.75% | 0.75% | 0.75% |
| Experience tax contributions (in millions) | \$916.8 | \$912.4 | \$802.3 | \$812.5 | \$731.2 | \$733.1 | \$748.7 | \$762.0 |
| Flat social tax rate (percent) | 0.27% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% |
| Social tax contributions (in millions) | \$265.9 | \$147.6 | \$149.4 | \$153.9 | \$156.5 | \$160.2 | \$163.6 | \$166.5 |
| Solvency tax rate (percent) | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Solvency tax contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total average tax rate (experience tax + social tax) | 1.38% | 1.21% | 1.06% | 1.05% | 0.93% | 0.91% | 0.91% | 0.91% |
| Total tax contributions (in millions) | \$1,182.6 | \$1,060.1 | \$951.7 | \$966.4 | \$887.7 | \$893.4 | \$912.3 | \$928.6 |
| Benefits | | | | | | | | |
| Weeks compensated (in millions) - regular benefits | 2.3 | 2.1 | 1.9 | 2.0 | 2.0 | 2.0 | 2.2 | 2.2 |
| Average weekly benefit amount | \$443.40 | \$484.11 | \$456.56 | \$472.34 | \$490.44 | \$508.87 | \$527.01 | \$546.32 |
| Regular benefit payments (in millions) | \$1,019.0 | \$1,002.6 | \$880.8 | \$955.9 | \$987.7 | \$1,024.8 | \$1,142.0 | \$1,217.6 |
| Total benefit liability (in millions) | \$957.9 | \$942.5 | \$827.9 | \$898.5 | \$928.4 | \$963.3 | \$1,073.5 | \$1,144.5 |
| Reimbursable benefit payments (in millions) | \$61.1 | \$60.2 | \$52.8 | \$57.4 | \$59.3 | \$61.5 | \$68.5 | \$73.1 |
| Total benefit payments (in millions) | \$1,019.0 | \$1,002.6 | \$880.8 | \$955.9 | \$987.7 | \$1,024.8 | \$1,142.0 | \$1,217.6 |
| Trust fund | | | | | | | | |
| Beginning trust fund balance (in millions) | \$3,900.7 | \$4,215.5 | \$4,432.6 | \$4,666.1 | \$4,849.0 | \$4,927.1 | \$4,977.5 | \$4,937.0 |
| Trust fund interest (in millions) | \$90.0 | \$99.5 | \$109.8 | \$115.0 | \$118.8 | \$120.3 | \$120.7 | \$119.2 |
| Total tax contributions (in millions) | \$1,182.6 | \$1,060.1 | \$951.7 | \$966.4 | \$887.7 | \$893.4 | \$912.3 | \$928.6 |
| Reimbursements from reimbursables (in millions) | \$61.1 | \$60.2 | \$52.8 | \$57.4 | \$59.3 | \$61.5 | \$68.5 | \$73.1 |
| Total benefit payments (in millions) | \$1,019.0 | \$1,002.6 | \$880.8 | \$955.9 | \$987.7 | \$1,024.8 | \$1,142.0 | \$1,217.6 |
| Ending trust fund balance as of 12/31 (in millions) | \$4,215.5 | \$4,432.6 | \$4,666.1 | \$4,849.0 | \$4,927.1 | \$4,977.5 | \$4,937.0 | \$4,840.3 |
| Months of benefits available as of 9/30 | 16.2 | 15.8 | 16.3 | 16.5 | 16.3 | 16.1 | 15.7 | 15.7 |

Note: The total average tax rate cannot be reached by adding the average experience tax rate and the flat social tax rate due to social tax caps and other factors.

Appendix 1: Economic assumptions

The events since the last forecast have made little impact toward the state's Economic and Revenue Forecast Council's outlook for the future. Overall, revisions to the current economic forecast call for a slightly less optimistic outlook.

The Employment Security Department's unemployment trust fund projections are reviewed and adjusted several times a year. The adjustments are made by changing several variables in the trust fund model, which are derived from the Economic and Revenue Forecast Council's quarterly economic forecast, IHS Global Insight and updated unemployment insurance reciprocity rates, and by replacing forecasted data with the most current actual data. *Appendix figure A-1* shows the major economic inputs used in the trust fund model with a comparison to the prior forecast.

Appendix figure A-1. Washington state economic and revenue projections

Washington state, November 2017 and September 2017

Source: Washington State Economic and Revenue Forecast Council/IHS Global Insight

| Unemployment rate (percent of workforce) | | |
|--|--------|----------|
| Year | Nov-17 | Sept -17 |
| 2016 | 5.44% | 5.44% |
| 2017 | 4.62% | 4.61% |
| 2018 | 4.24% | 4.40% |
| 2019 | 4.21% | 4.36% |
| 2020 | 4.23% | 4.34% |
| 2021 | 4.24% | 4.34% |
| 2022 | 4.75% | 4.65% |
| 2023 | 4.86% | 4.78% |

| Personal income (percent growth) | | |
|----------------------------------|--------|----------|
| Year | Nov-17 | Sept -17 |
| 2016 | 7.33% | 7.33% |
| 2017 | 5.50% | 5.80% |
| 2018 | 4.70% | 4.50% |
| 2019 | 5.40% | 5.50% |
| 2020 | 5.30% | 5.40% |
| 2021 | 5.30% | 5.00% |
| 2022 | 4.75% | 4.71% |
| 2023 | 4.40% | 4.44% |

| Employment growth (percent growth) | | |
|------------------------------------|--------|----------|
| Year | Nov-17 | Sept -17 |
| 2016 | 2.44% | 2.44% |
| 2017 | 3.00% | 2.90% |
| 2018 | 2.40% | 2.10% |
| 2019 | 1.70% | 1.60% |
| 2020 | 1.40% | 1.40% |
| 2021 | 1.00% | 1.10% |
| 2022 | 0.80% | 0.85% |
| 2023 | 0.68% | 0.71% |

| Consumer Price Index (percent growth) | | |
|---------------------------------------|--------|----------|
| Year | Nov-17 | Sept -17 |
| 2016 | 1.30% | 1.30% |
| 2017 | 2.10% | 2.10% |
| 2018 | 2.30% | 1.90% |
| 2019 | 2.00% | 2.10% |
| 2020 | 2.30% | 2.20% |
| 2021 | 2.30% | 2.30% |
| 2022 | 2.45% | 2.54% |
| 2023 | 2.54% | 2.59% |

Definitions of economic variables:

- **Unemployment rate:** The rate computed by dividing total unemployed by the civilian labor force. The unemployment rate is used as an input into the forecasting of benefits. These unemployment rates are seasonally adjusted. Seasonal adjustment smooths out the impact of normal seasonal patterns that occur year after year, such as strong seasonal hiring in retail trade around the holidays.
- **Wage and salary disbursements:** This component of personal income consists of the monetary remuneration of employees. It reflects the amount of wages and salaries disbursed, but not necessarily earned, during the year. This component is measured before deductions, such as Social Security contributions and union dues. The percentage growth for wage and salary disbursements is used in projecting future wages.
- **Employment growth:** The percentage change in overall employment from year to year. Employment growth is used in the trust fund model as a means of forecasting total employment.
- **Consumer Price Index (CPI):** A measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. CPI is used in the forecast as a means of adjusting the dollar values.