

Unemployment Insurance Trust Fund Forecast

September 2021

Executive summary

This report provides the status of, and updated projections for, the state's unemployment insurance (UI) trust fund for 2021 through 2025. The report is based on the November 2021 economic forecast released by the state's Economic and Revenue Forecast Council (ERFC) using forecast information and UI tax and benefit data through the first three quarters of 2021.

As of Nov 29, 2021, the UI trust fund balance was approximately \$1.9 billion. Unemployment benefit payments from the trust fund were approximately \$4.5 billion in 2020 and are projected to be approximately \$1.8 billion in 2021 and \$1.3 billion in 2022. Employer tax contributions to the UI trust fund were approximately \$1.2 billion in 2020 and are projected to be approximately \$1.5 billion in 2021 and \$1.8 billion in 2022.

The UI trust fund is projected to maintain solvency without a need for a federal advance. On September 30th, the UI trust fund had enough reserves to cover approximately 4.2 months of benefits. Compared to the September report, the projected UI trust fund balance is greater for 2021-2022.

Contents

This report contains the following items:

- Employer contributions, benefit payments and projected trust fund balance through 2025;
- November 2021 forecast compared to the September 2021 forecast; and
- *Appendix 1*: Economic assumptions for the November 2021 forecast compared to the September 2021 forecast.

If you have any questions or concerns please contact Steven Ross, Chief Analytics Officer, at 360-890-3736 or email: data@esd.wa.gov.

Introduction

This report provides information on Washington state's employer contributions, benefits, and UI trust fund current and projected balances. The Employment Security Department's unemployment trust fund projections are reviewed and adjusted three times a year (June, September, and November). The adjustments are made by changing several variables in the trust fund model. The variables are sourced from the state's Economic and Revenue Forecast Council's (ERFC) November 2021 economic forecast.

This forecast uses the November 2021 ERFC assumptions and actual unemployment insurance tax and benefit data through September 30th, 2021. The economic assumptions used for the November 2021 forecast compared to the September 2021 forecast are provided in *Appendix 1*.

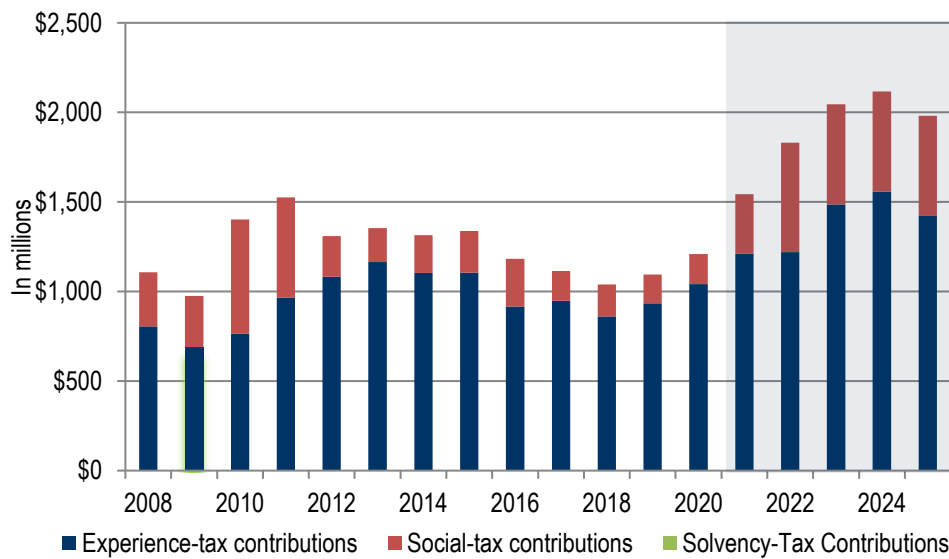
Employer contributions

Employer tax contributions were approximately \$1.21 billion in 2020 and are projected to be approximately \$1.54 billion in 2021. This model projects an increase in employer contributions to approximately \$1.83 billion in 2022. *Figure 1* shows annual projections of employer contributions through 2025.

The increase in employer contributions is anticipated due to the high volume of weeks compensated as employers laid off and furloughed workers due to the COVID-19 pandemic. Per state law, 2022 experience tax rates are based on benefits paid between July 1, 2017 and June 30, 2021. In addition, per state law, the taxable wage base will increase from \$56,500 in 2021 to \$62,500 in 2022.

An employer's social tax rate starts with the flat social tax rate, which is then graduated by rate class. The social tax rate for 2021 was .50 percent and will be .75 percent in 2022. It is projected to be 0.60 percent in 2023, 0.60 percent in 2024, and 0.60 percent in 2025. Solvency taxes, imposed if the trust fund cannot provide for 7 months of benefits on September 30 of any given year, have been waived by state law through 2025.

Figure 1. Washington state unemployment insurance employer tax contributions
Washington state, 2008 through 2025
Source: Employment Security Department/LMEA/ETA 2112/UI Wage File



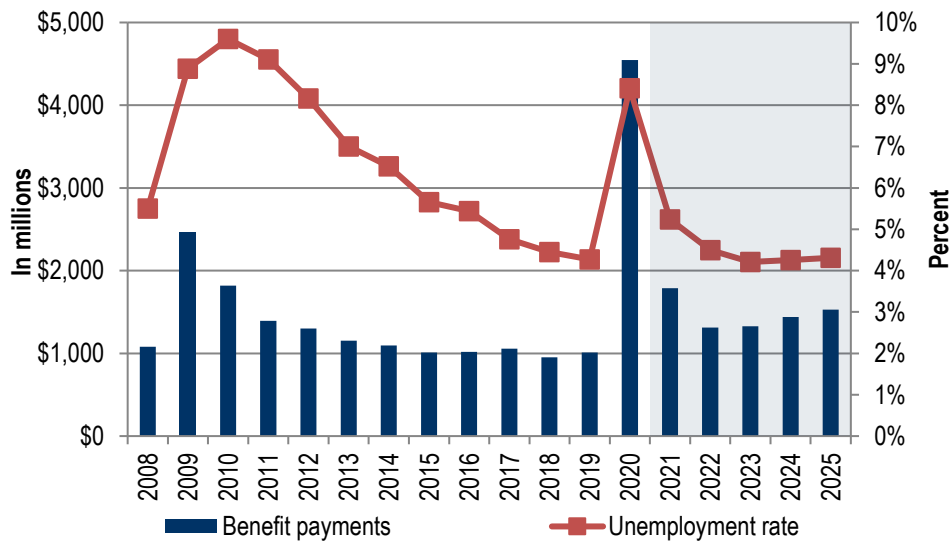
Note: Highlighted years reflect projected data.

Employer tax contributions were \$1.2 billion in 2020 and are projected to be approximately \$1.5 billion in 2021 and approximately \$1.8 billion in 2022.

Unemployment benefit payments

Benefit payments from the UI trust fund were approximately \$4.54 billion in 2020 and are projected to be around \$1.79 billion in 2021. *Figure 2* shows annual projections of benefit payments from the trust fund and the projected state unemployment rate through 2025. Federally funded benefits such as Pandemic Unemployment Assistance (PUA), federal reimbursement for the waiting week, Pandemic Emergency Unemployment Compensation (PEUC), Federal Pandemic Unemployment Compensation (FPUC), and extended benefits are excluded from *Figure 2*.

Figure 2. Benefit payments from state unemployment trust fund
Washington state, 2008 through 2025
Source: Employment Security Department/LMEA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

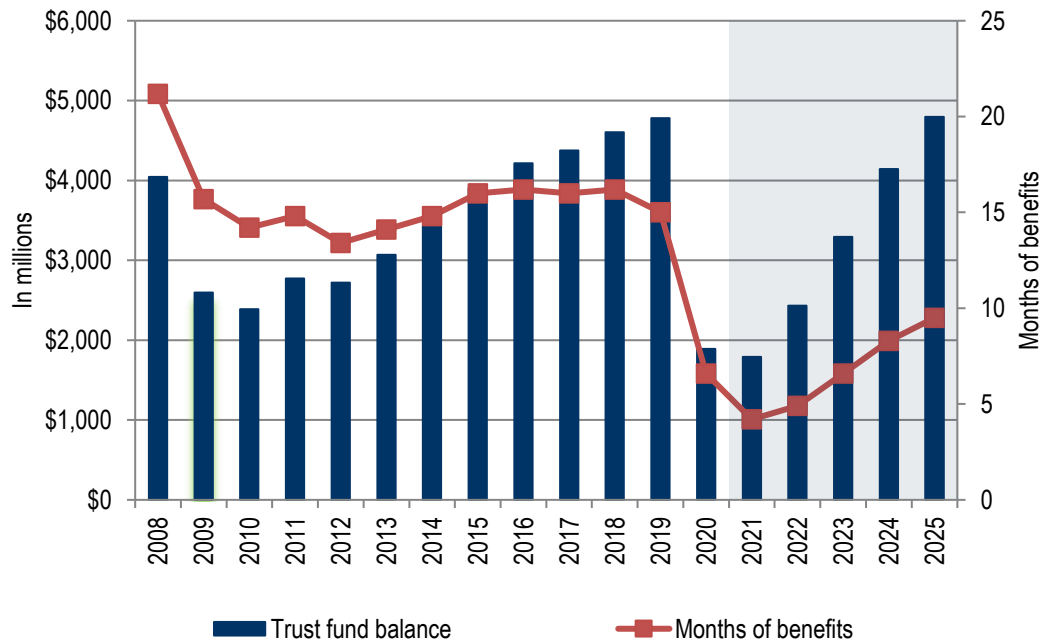
Benefit payments from the trust fund were approximately \$4.5 billion in 2020 and are projected to decrease to \$1.8 billion in 2021, and approximately \$1.3 billion in 2022.

Trust fund balance

As of Nov 29, 2021, the UI trust fund balance was \$1.9 billion. The UI trust fund is projected to maintain solvency through 2021 and beyond without the need for a federal advance. On September 30th, the UI trust fund had approximately 4.2 months of benefits. State law would normally mandate a solvency tax be assessed on employers at a rate of .2 percent. This provision of state law, however, is frozen through 2025.

Figure 3 shows the annual projected year-end trust fund balance through 2025. The red line represents the months of benefits available on the date when unemployment insurance tax rates for the following year are calculated (September 30th). 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 the month of benefits. 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 2025
Source: Employment Security Department/LMEA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

Trust fund scenario: November 2021 forecast compared to September 2021

This scenario compares the November 2021 forecast (top half of table) to the published September 2021 forecast (bottom half of table).

Figure 4. Washington state trust fund forecast

Washington state, November 2021 and September 2021

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

Unemployment insurance trust fund: November 2021 baseline forecast (based on actuals reported in the November 2021 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%	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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total average tax rate (experience tax + social tax)	1.08%	1.16%	1.36%	1.45%	1.56%	1.56%	1.43%
Total tax contributions	\$1,094.1	\$1,209.9	\$1,543.2	\$1,830.4	\$2,046.0	\$2,116.9	\$1,988.5
Benefits							
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
Total benefit payments	\$1,010.6	\$4,544.8	\$1,788.3	\$1,311.4	\$1,326.0	\$1,438.4	\$1,529.9
Trust fund							
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
Ending trust fund balance (as of 12/31)	\$4,778.1	\$1,890.6	\$1,790.8	\$2,431.9	\$3,293.6	\$4,142.1	\$4,795.9
Months of benefits available (as of 9/30)	15.0	6.6	4.2	4.9	6.6	8.3	9.5
Unemployment insurance trust fund: September 2021 baseline forecast (based on actuals reported in the September 2021 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%	1.00%	0.89%	0.97%	1.13%	1.15%	1.02%
Experience tax contributions	\$934	\$1,041	\$1,029	\$1,197	\$1,457	\$1,532	\$1,403
Flat social tax rate (percent)	0.16%	0.15%	0.50%	0.75%	0.60%	0.60%	0.60%
Social tax contributions	\$160.36	\$169.22	\$379.62	\$599.03	\$549.92	\$551.14	\$559.87
Solvency tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions (in millions)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total average tax rate (experience + social tax)	1.08%	1.16%	1.22%	1.45%	1.56%	1.56%	1.43%
Total tax contributions (in millions)	\$1,094.1	\$1,209.9	\$1,409.0	\$1,796.2	\$2,006.5	\$2,083.2	\$1,962.9
Benefits							
Weeks compensated (in millions) - regular benefits	\$2.1	\$10.3	\$3.8	\$2.2	\$2.0	\$2.0	\$2.1
Average weekly benefit amount	\$477.8	\$447.4	\$525.0	\$604.3	\$628.8	\$651.7	\$677.5
Regular benefit payments (in millions)	\$1,010.6	\$4,544.8	\$1,940.7	\$1,300.0	\$1,260.4	\$1,322.8	\$1,392.2
Total benefit liability (in millions)	\$949.9	\$4,272.1	\$1,824.3	\$1,222.0	\$1,184.8	\$1,243.4	\$1,308.7
Reimbursable benefit payments (in millions)	\$60.6	\$272.7	\$116.4	\$78.0	\$75.6	\$79.4	\$83.5
Total benefit payments (in millions)	\$1,010.6	\$4,544.8	\$1,940.7	\$1,300.0	\$1,260.4	\$1,322.8	\$1,392.2
Trust fund							
Beginning trust fund balance (in millions)	\$4,603.5	\$4,778.1	\$1,890.6	\$1,517.9	\$2,136.9	\$3,021.9	\$3,947.5
Trust fund interest (in millions)	\$113.0	\$77.8	\$42.5	\$44.8	\$63.3	\$85.9	\$107.8
Total tax contributions (in millions)	\$1,094.1	\$1,209.9	\$1,409.0	\$1,796.2	\$2,006.5	\$2,083.2	\$1,962.9
Reimbursements from reimbursables (in millions)	\$60.6	\$272.7	\$116.4	\$78.0	\$75.6	\$79.4	\$83.5
Total benefit payments (in millions)	\$1,010.6	\$4,544.8	\$1,940.7	\$1,300.0	\$1,260.4	\$1,322.8	\$1,392.2
Ending trust fund balance (as of 12/31, millions)	\$4,778.1	\$1,890.6	\$1,517.9	\$2,136.9	\$3,021.9	\$3,947.5	\$4,709.5
Months of benefits available (as of 9/30)	15.0	6.6	4.4	5.1	6.8	8.6	10.1

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 improved the state's Economic and Revenue Forecast Council's outlook for the future.

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 sourced from the Economic and Revenue Forecast Council's quarterly economic forecast and updated unemployment insurance reciprocity rates. *Appendix figure A-1* shows the major economic predictions 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 2021 and September 2021

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

		Unemployment rate (percent of workforce)		Wage & Salary Disbursements (percent growth)	
		Sept-21	Nov-21	Sept-21	Nov-21
2020		8.41%	8.41%	3.40%	4.00%
2021		5.24%	5.26%	8.80%	10.20%
2022		4.50%	4.47%	7.00%	8.40%
2023		4.21%	4.33%	5.80%	6.00%
2024		4.26%	4.52%	5.20%	5.00%
2025		4.31%	4.61%	5.20%	5.10%

		Employment growth (percent growth)		Consumer Price Index (percent growth)	
		Sept-21	Nov-21	Sept-21	Nov-21
2020		-5.20%	-5.30%	1.20%	1.20%
2021		2.40%	2.40%	3.60%	3.70%
2022		3.90%	4.40%	2.40%	2.90%
2023		2.40%	2.40%	1.70%	1.90%
2024		1.30%	1.10%	1.90%	2.10%
2025		1.20%	.90%	1.90%	2.10%

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.