

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 9, 2020

UI Policy Discussion



**Employment
Security
Department**
WASHINGTON STATE

Unemployment Insurance Advisory Committee Presentation

December 9, 2020

Dan Zeitlin, Employment System Policy Director

Employment Security Department

Agenda



- Work Search Policy
- Unemployment Trust Fund Status

UI Policy Discussion



Work Search

Work Search Law



- The federal [Families First Coronavirus Response Act](#) provides states with emergency flexibilities to modify state law with respect to work search on an emergency temporary basis as needed to respond to the spread of COVID–19.
- Governor Emergency Proclamation [20-30](#) suspends state law requiring unemployment claimants, including those claiming Extended Benefits, to actively seek work.
- The proclamation is extended through January 19, 2021, but ultimately work search requirements will need to be reinstated.

UIAC Options to Consider



- Recommend a “trigger” to reinstate work search requirements.
 - A particular state-wide phase in re-opening; or
 - A particular date certain (e.g. April 4, 2021),
 - With time allowed for the agency to operationalize.
- This trigger could be enacted by statute or continuing resolution.
- Alternative: Allow the proclamation to expire and have work search reinstate per statute (RCW 50.20.240).

Challenges ESD faces with RCW 50.20.240



- ESD does not have flexibility to adjust work search requirements to accommodate urgent challenges, local conditions, or innovations in reemployment programs.
- If the statute were less prescriptive, along with more flexibly responding to emergencies, the system could innovate to match effective reemployment plans with job seekers' needs, and match requirements with available capacity in the state.

UIAC Options to Consider



- Recommend legislation to allow flexibility in how ESD implements the work search requirement.
 - Adding “or as otherwise directed by the department” to end of RCW 50.20.240(1)(b)
- Report to legislature on outcome of this flexibility, due November 2022.
 - The report shall demonstrate use and impact of any flexibilities used by the Department.
- Include a sunset clause, ending June 30, 2023 unless sunset is removed.
- Continue working with UIAC, to develop ways to best use this flexibility to improve reemployment outcomes for claimants.

Potential Bill: Amending RCW 50.20.240



(1)(a) To ensure that following the initial application for benefits, an individual is actively engaged in searching for work, the employment security department shall implement ~~((a))~~ job search monitoring ~~((program))~~. The department shall contract with employment security agencies in other states to ensure that individuals residing in those states and receiving benefits under this title are actively engaged in searching for work in accordance with the requirements of this section. The department ~~((may use interactive voice technology and other electronic means to))~~ must ensure that individuals are subject to comparable job search monitoring, regardless of whether they reside in Washington or elsewhere.

(b) [...] an individual who has received five or more weeks of benefits under this title, regardless of whether the individual resides in Washington or elsewhere, must provide evidence of seeking work, as directed by the commissioner or the commissioner's agents, for each week beyond five in which a claim is filed. The evidence must demonstrate contacts with at least three employers per week or documented in-person job search activities at the local reemployment center at least three times per week, or as otherwise directed by the department.

(c) In developing the requirements for ~~((the))~~ job search monitoring ~~((program))~~, the commissioner or the commissioner's agents shall utilize an existing advisory committee having equal representation of employers and workers.

(2) An individual who fails to comply fully with the requirements for actively seeking work under RCW 50.20.010 shall lose all benefits for all weeks during which the individual was not in compliance, and the individual shall be liable for repayment of all such benefits under RCW 50.20.190.

UI Policy Discussion

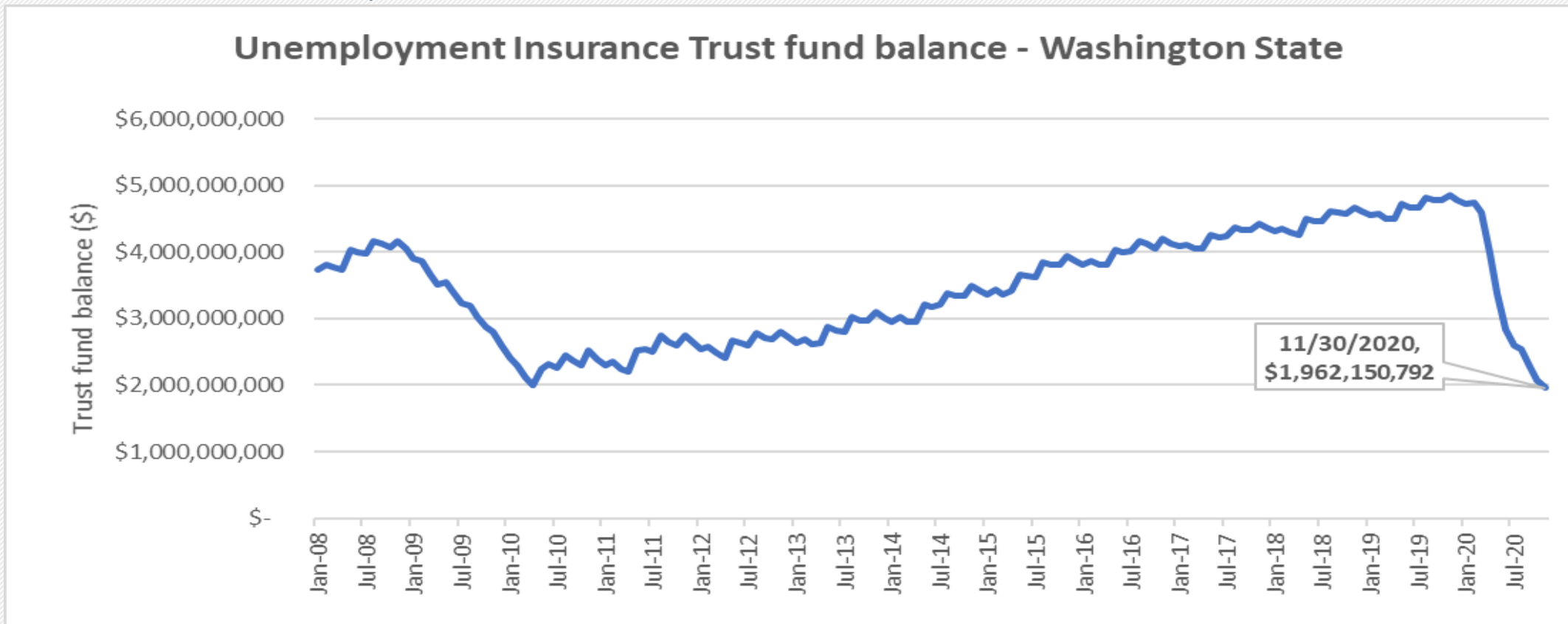


UI Trust Fund

Unemployment Insurance Trust fund



- On November 30, the UI trust fund balance was \$1.96 billion



UI Trust Fund Report Key Takeaways



- The UI Trust Fund report will project modest improvements in the health of the trust fund compared to the September report.
- The reserves in the trust fund are projected to drop to approximately 1.5 months of benefits in the 4th quarter of 2021.
- Washington will not need to take out loans from the federal government, though we will need to request an advance (line of credit) as required by federal law.
- Under the November UI Trust Fund projections, the flat social tax cap of 1.22% will be in place in 2022 per state law and is projected to drop to .60% in 2023.
- Under November UI Trust Fund projections, there will be a solvency tax in 2022 and 2023.

UI Trust Fund Report



- The report provides the status and updated projections of the state's unemployment insurance (UI) trust fund for 2020 through 2025.
- The report is based upon the November 2020 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 2020 (Q3 2020).

UI Trust Fund Forecast (November 2020)



	September Forecast	November Forecast
2020 Unemployment Benefit payment projection	\$5.3 Billion	\$5.1 Billion
2021 Unemployment Benefit payment projection	\$3.2 Billion	\$3.1 Billion
2020 Employer Contributions	\$1.1 Billion	\$1.1 Billion
2021 Employer Contributions	\$1.9 Billion	\$1.9 Billion

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 \$52,700 in 2020 and is \$56,500 in 2021.
- The trust fund balance has no impact on the experience rate tax.

Average Experience Tax Rates

CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
.86%	.97%	1.52%	1.73%	1.75%	1.49%

Social Tax Rate



- The “flat social tax” is an annual tax calculation 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.
- The flat social tax rate has a maximum tax cap of 1.22%.
- The tax is adjusted for each rate class.

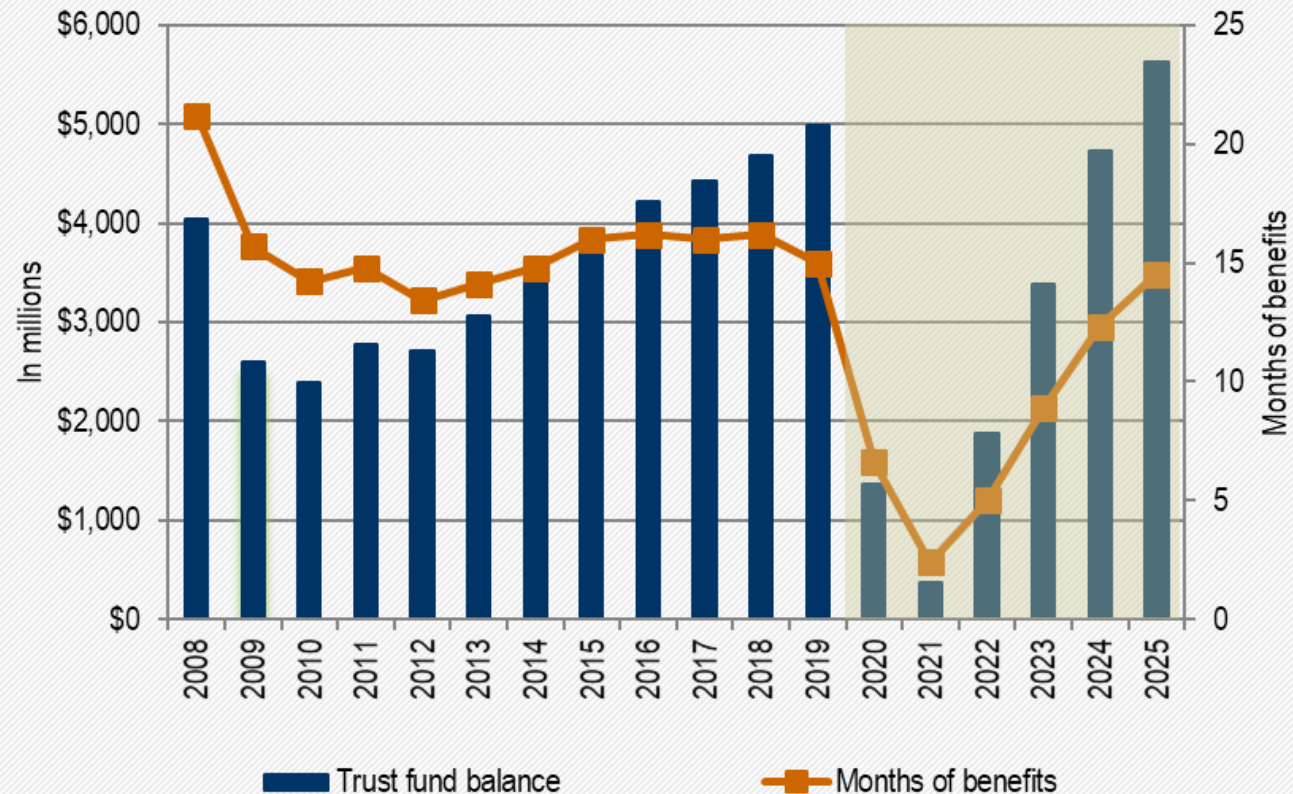
Flat Social Tax Rates

CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
.25%	1.22%	1.22%	.60%	.60%	.40%

Projected Trust Fund Balances



- Approximately \$371 million (CY 2021); \$1.9 billion (CY 2022); \$3.4 billion (CY 2023); \$4.7 billion (CY 2024); and \$5.6 billion (CY 2025)



UI Trust Fund: Federal Advance Request



- The trust fund had reserves to pay 5.8 months of benefits on November 30.
- The trust fund is projected to drop to 1.5 months of benefits in the 4th quarter of 2021 before beginning to increase reserves.
- Federal law requires the trust fund to be able to pay three months of projected benefit payments.
- When a state projects it does not have enough funds to pay benefits for 3 months, the state's governor (or the governor's designee) submits a letter requesting that the U.S. Secretary of Labor advance funds to the state.

UI Trust Fund: Federal Borrowing



- Once the advance is approved by the U.S. Department of Labor, the funds serve as a line of credit and are placed into the state's account to draw from as needed. Title XII advances are available to states only when the fund can no longer make any benefit payments.
- Accordingly, as with the September forecast, it is currently projected that Washington will not need to borrow (take out loans) from the federal government.