

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 people appear to be engaged in a discussion or presentation.

Unemployment Insurance ADVISORY COMMITTEE



Employment Security Department

WASHINGTON STATE

Agenda



- I. Approval of May 15, 2024, meeting minutes
- II. Approve schedule for remainder of 2024
- III. OAH Appeals update & introduction of new Chief ALJ, RaShelle Davis
- IV. Updated taxable wage base (effective July 1)
- V. Budget Overview
- VI. Rulemaking Update
- VII. Legislative Implementation items
- VIII. Public comment
- IX. Adjourn

Approve schedule for remainder of 2024

Dan Zeitlin, Chief of Staff, ESD



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Approve schedule for remainder of 2024



July 24, 2024 11:00 AM – 12:00 PM (Discuss Decision Packages)

Aug. 7, 2024 1:00 PM – 3:00 PM

Sept. 4, 2024 1:00 PM – 3:00 PM

Oct. 30, 2024 10:00 AM – 12:00 PM

Dec. 11, 2024 1:00 PM – 3:00 PM

OAH Appeals Update & Introduction of New Chief ALJ, RaShelle Davis

Brendon Tukey, Division Chief ALJ, OAH



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Introducing: Chief RaShelle Davis



- Chief Administrative Law Judge with the Office of Administrative Hearings, appointed by Gov. Inslee May 1, 2024.
- The position was previously held by Lorraine Lee who retired last year.
- RaShelle has served as a policy advisor at the state's then-named Department of Early Learning and Office of the Governor, as well as director of operations at the state's Office of Civil Legal Aid.
- Welcome RaShelle!



UI Appeals: Then & Now



Average inventory

- Peak Inventory (March 2022): 46,129 cases.
- Inventory as of 31 May 2024: 5,755 cases.
- 88% reduction over 26 months even as new cases arrived daily.

Average processing time pre-pandemic vs post-pandemic

- 2019: 35.77 Days.
- Peak pandemic processing time (May 2024): 240.59 days.
- As of 31 May 2024: 41.46 days.

Average monthly intake pre-pandemic vs post-pandemic

- 2019: 2,473 / month.
- 2023: 3,323 / month.
- As of 31 May 2024: 4,024 / month.

UI Appeals: Looking Forward



- Higher average intake seems to be the “new normal”.
- Hiring additional ALJs to complete backlog resolution and to address current intake reality.
- Focused on reducing processing time:
 - First to pre-pandemic rates (35 days or less)
 - Then continued improvement (25 days or less)

Updated taxable wage base

Jeff Robinson, Labor Market Analysis/Current Labor Force Statistics Manager
Data Architecture, ESD



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Taxable Wage Base



RCW 50.24.010 The taxable wage base is the maximum amount of an employee's total wages that is taxable under the unemployment insurance program. The maximum amount is set each year based on the average annual wage for contribution purposes (AAWCP) for the previous year. By state law, the amount of wages subject to tax for each individual shall be 115 percent of the wages subject to tax for the previous year rounded to the next lower \$100, except that the amount shall not exceed 80 percent of the "average annual wage for contributions purposes" for the second preceding calendar year rounded to the next lower \$100.

Beginning January 1, 2025, employers will pay unemployment taxes on the first \$72,800 paid to each employee. The calculation is as follows based on an AAWCP in 2023 of \$91,004:

- Round down (115% times \$68,500) = \$78,700 which exceeds the 80 percent maximum
- Round down (80% times \$91,004) = \$72,800

Average Annual Wage:



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Uses of the Average Annual Wage



- Unemployment Insurance minimum and maximum benefit levels
- Employers' Unemployment taxes (Taxable wage base)
- Paid family and medical leave maximum benefit levels
- Labor & Industries also uses average annual wage to calculate the COLA (Cost of living adjustment) for worker's compensation benefits.

Average Annual Wage



RCW 50.04.355(1)(a): “...the quotient derived by dividing the total remuneration reported by all employers for the preceding calendar year by the average number of workers reported for all months of the preceding calendar year...”

- $(\text{total remuneration}) / (\text{average \# workers}) = (\text{AAW})$

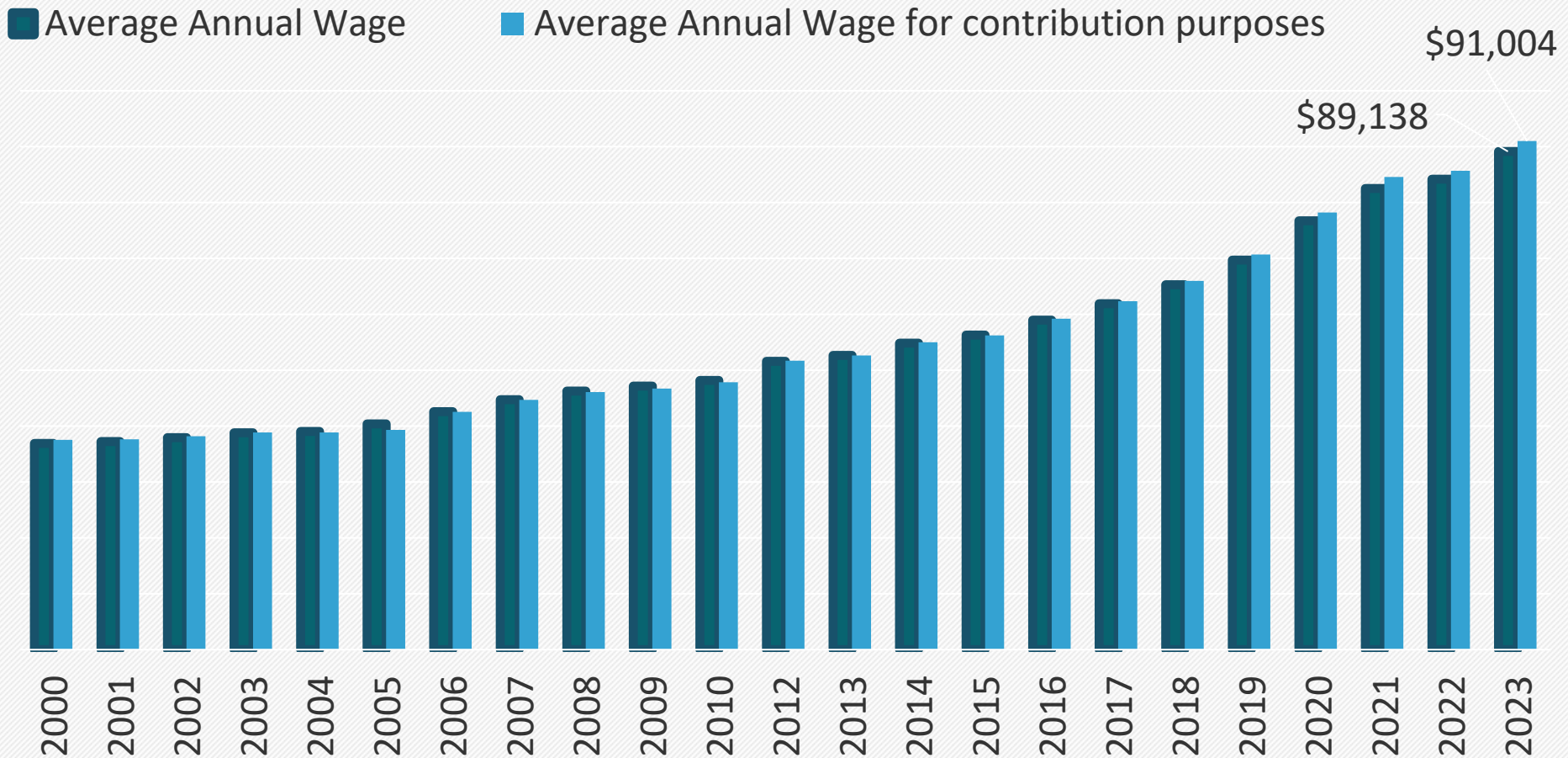
Average Annual Wage for Contribution purposes



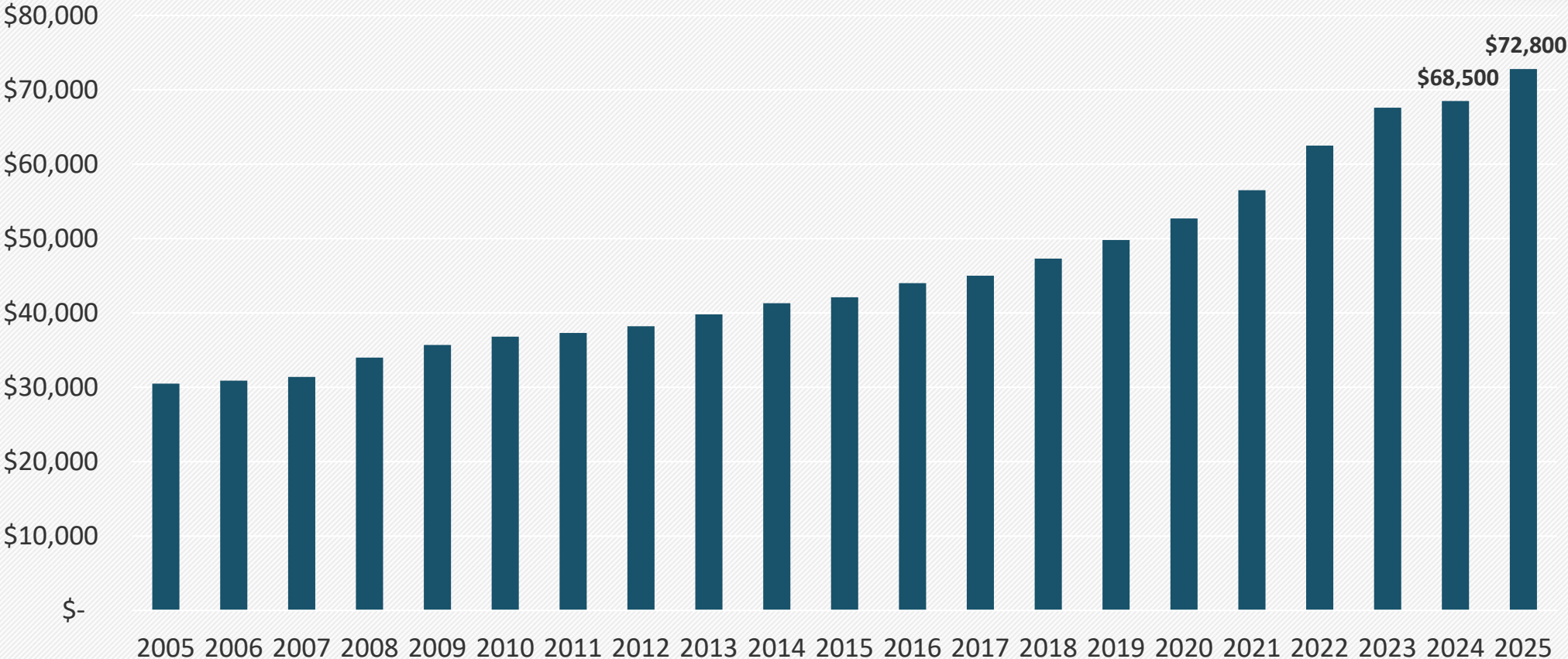
RCW 50.04.355(1)(c): “...The "average annual wage for contributions purposes is the quotient derived by dividing the total remuneration reported by all employers subject to contributions by the average number of workers reported for all months by these same employers ...”

- $(\text{total remuneration taxable employers}) / (\text{average \# workers for taxable employers}) = (\text{AAWCP})$

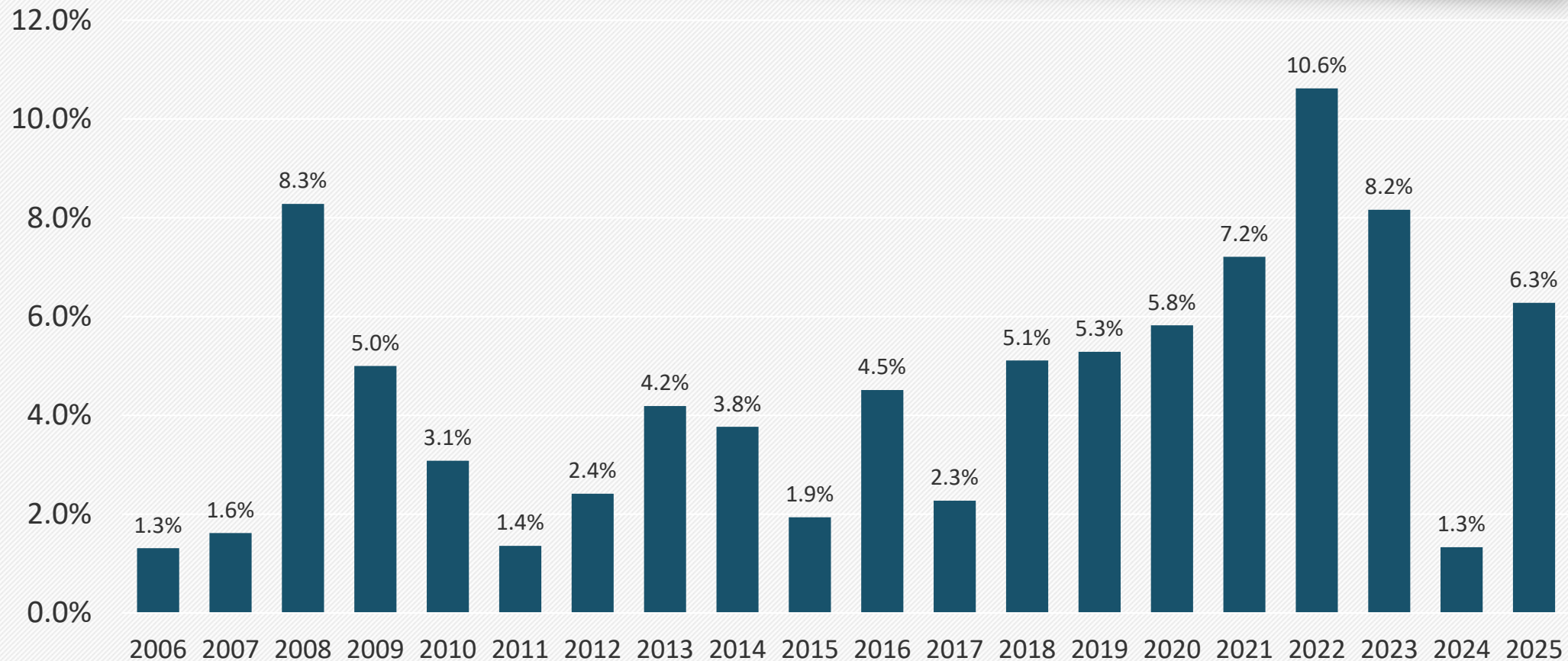
Average Annual Wage and Average Annual Wage for contribution purposes (\$)



Unemployment Insurance Taxable Wage Base



Washington State Taxable Wage Base (% change)



UI Program Budget

Unemployment Insurance Advisory Committee

June 26, 2024



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Agenda



- I. ESD Funding Sources (Federal and State)
- II. UI Administration
- III. CPP and P&I Projections
- IV. Next Steps

Federal Funding



Unemployment Insurance (UI) Program

- **UI Administration:** Used to administer UI program. The Federal Unemployment Tax Act (FUTA) is a 0.6% employer tax on the first \$7,000 of each worker's earnings per year. These funds are paid to the federal government and distributed to states based on an allocation methodology for UI administrative costs.

Workforce Programs

- **Wagner-Peyser:** Used for ESD staff to provide employment services at WorkSource centers throughout the state. In WA, 90% of funds are allocated for general services and 10% are allocated to Migrant and Seasonal Farmworker (MSFW) outreach.
- **Workforce Innovation and Opportunity Act (WIOA) Administration:** Funds provided to ESD to oversee Adult, Dislocated Worker, and Youth employment and training services provided by staff in local workforce areas.
- **Other:** Foreign Labor Certification (FLC), Jobs for Veterans State Grants (JVSG), Reemployment Services and Eligibility Assessment (RESEA), and Trade Adjustment Assistance (TAA)

Federal Funding



Labor Market Information (LMI) Programs

- **Bureau of Labor Statistics (BLS):** Used for statistical data gathering, analysis and dissemination to include current employment statistics, local area unemployment statistics, occupational employment statistics, quarterly census of employment and wages, and mass layoff statistics.
- **Workforce Information Grants:** Used to develop and disseminate essential workforce and labor market information, including employment trends, local labor market trends and other data.

State Funding

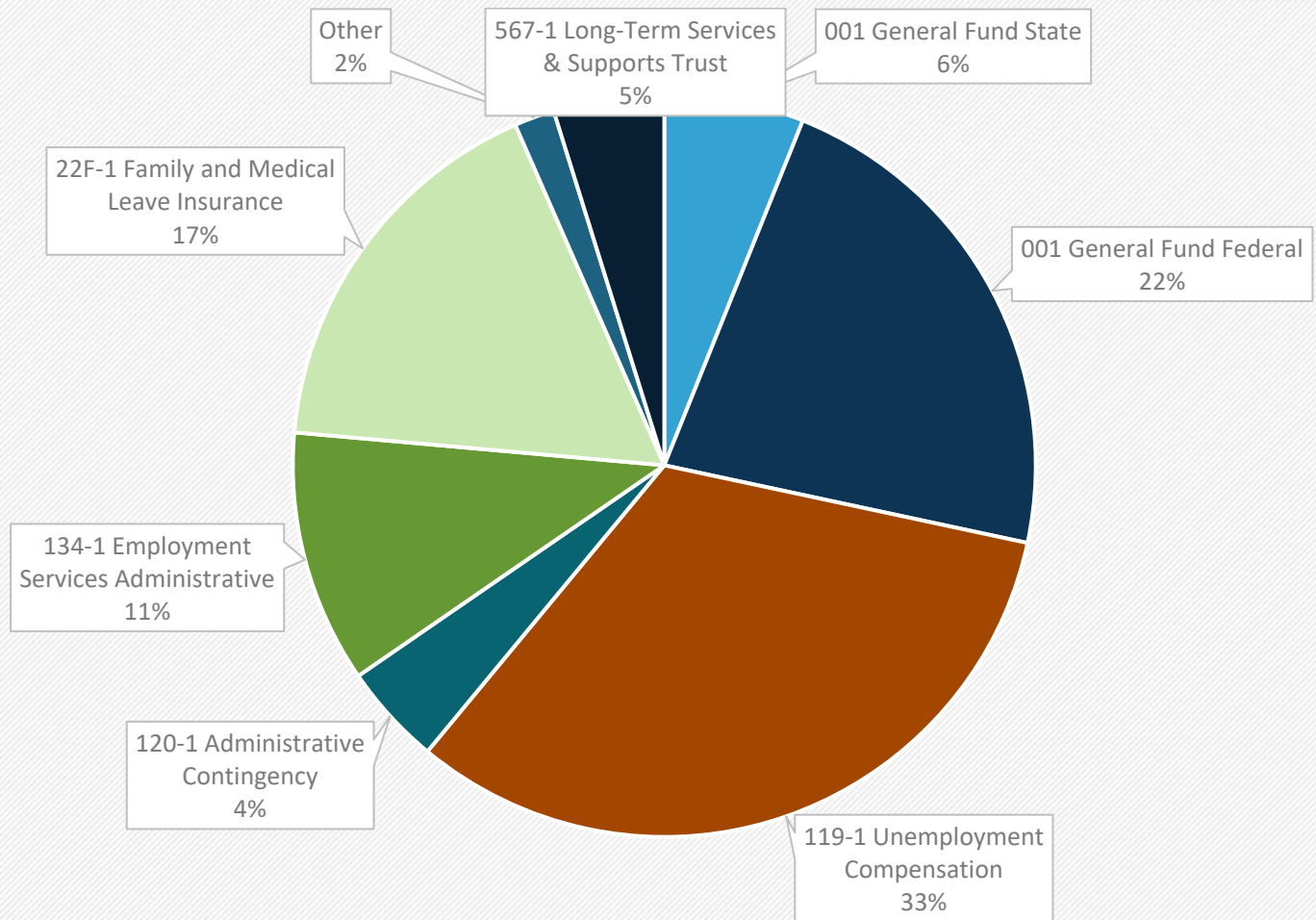


Two State Funding Sources

- **Claimant Placement Program (CPP):** Funding from the Employment Services Administrative Account (Fund 134). CPP receives its revenue from an employer tax of 0.02% of taxable wages (for most classes of employers). This funding source was established in 1985 to augment federal funds to support employment programs. These funds have been increasingly necessary to provide basic employment program activities.
- **Penalties and Interest (P&I):** P&I receives revenues from penalties and interest employers pay for late or incorrect unemployment taxes. P&I revenue also comes from interest paid by UI recipients who must repay benefits to which they were not entitled.



FY 24 ESD Total Appropriation

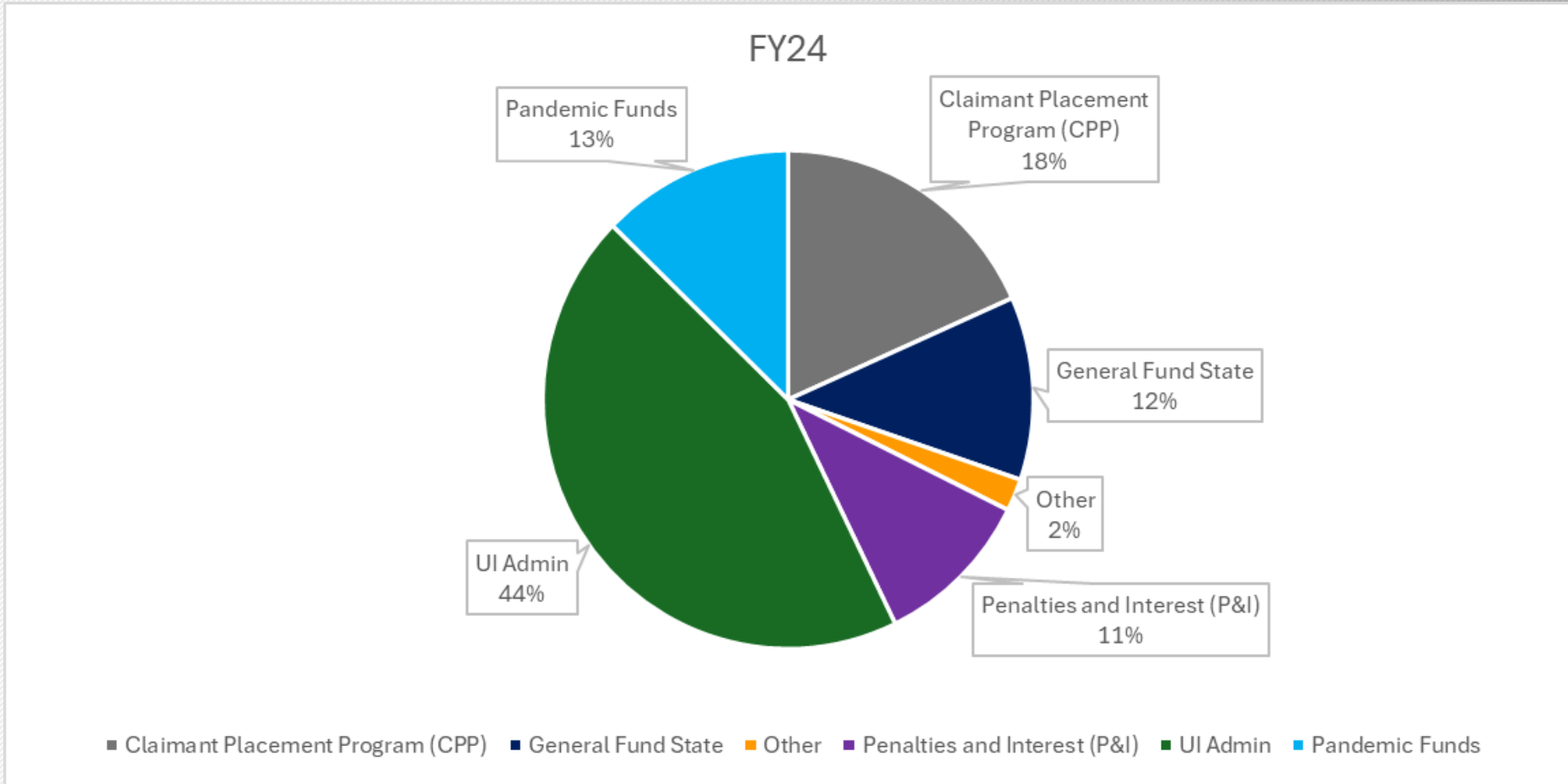


Total FY 24 appropriation:
\$482M

Total 23-25 appropriation:
\$946M



FY 24 UI Program Fund Sources



UI Administration



Pre-Post Pandemic Customer Experience Changes

Metric	2019	2023	% change
Average UI claims staff	245	223	- 9%
Number of continuing UI claims	1,246,106	1,289,118	+ 3%
Incoming call volume	565,340	1,114,982	+ 97%
Identity issues set	5,295	105,073	+ 1,884%

UI Administration



Service Delivery Challenges

Consumer behavior has changed:

- 25% of customers apply for benefits over the phone instead of using the online services
- 48% of claims are being accessed by a mobile device, but the site is not mobile-friendly

Historical staffing model does not meet modern needs:

- During peak season, an additional 135 FTE would have been required to address each unique claimant seeking service by phone

Reduced FTE since pre-pandemic

Increased fraud management complexity:

- Identity fraud and complex financial crimes were minimal pre-pandemic and is now an ongoing body of work for UI agencies across the US

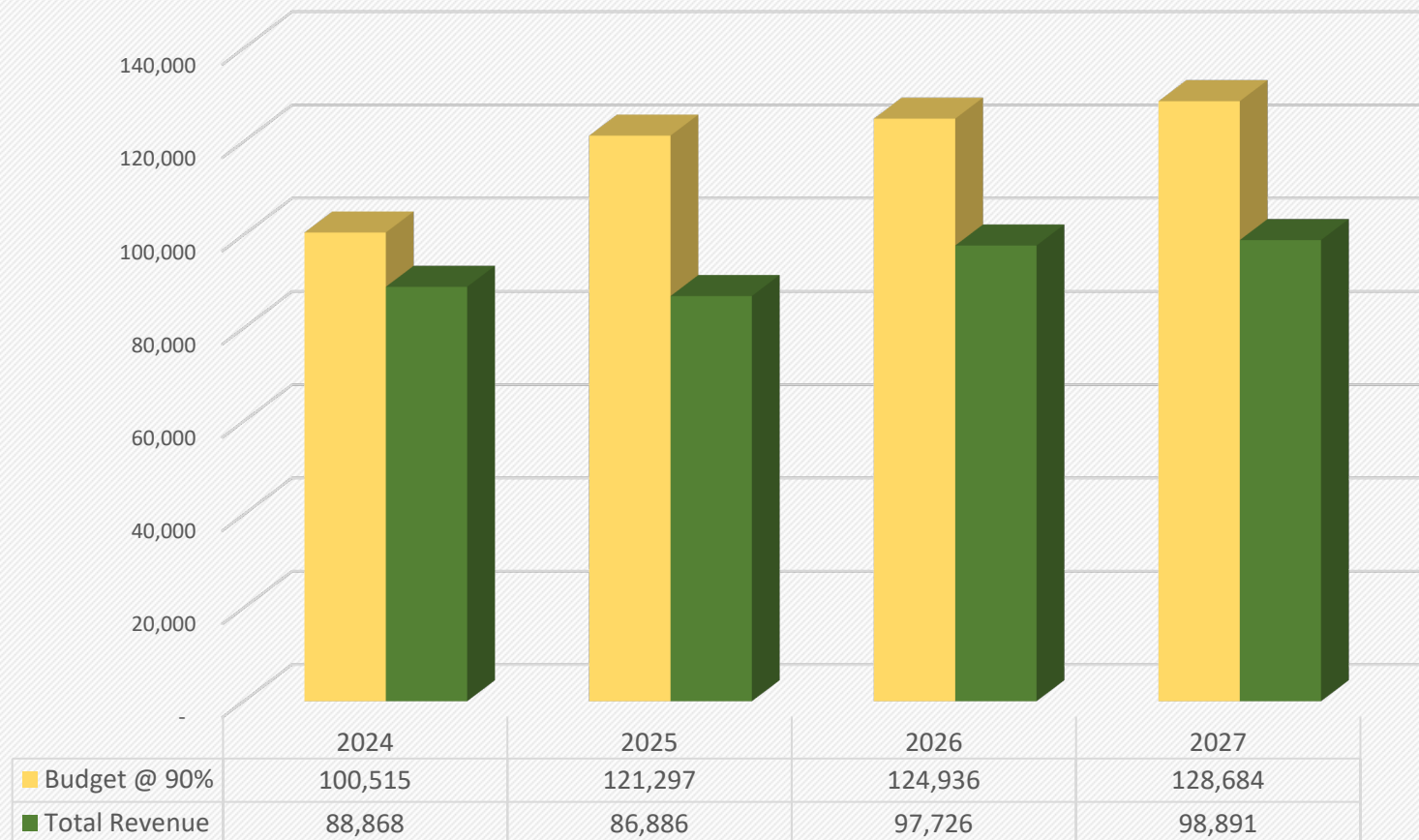
Federal UI Admin funding shortfall



Federal UI Admin covers only ~70% of the UI program.

State resources are required to fund the gap from this federal shortfall, with normal growth and no policy increase.

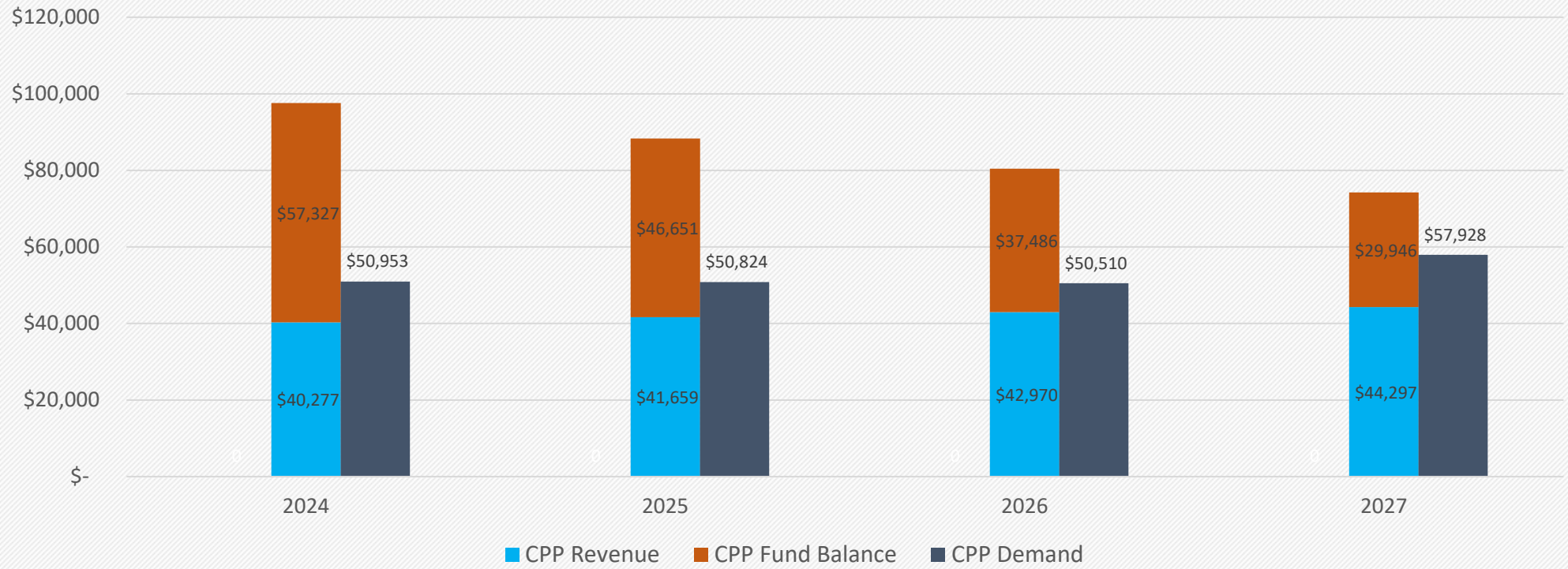
Annual UI shortfall is ~\$30M each year, assuming a 90% expenditure rate





CPP Need, Revenue & Fund Balance

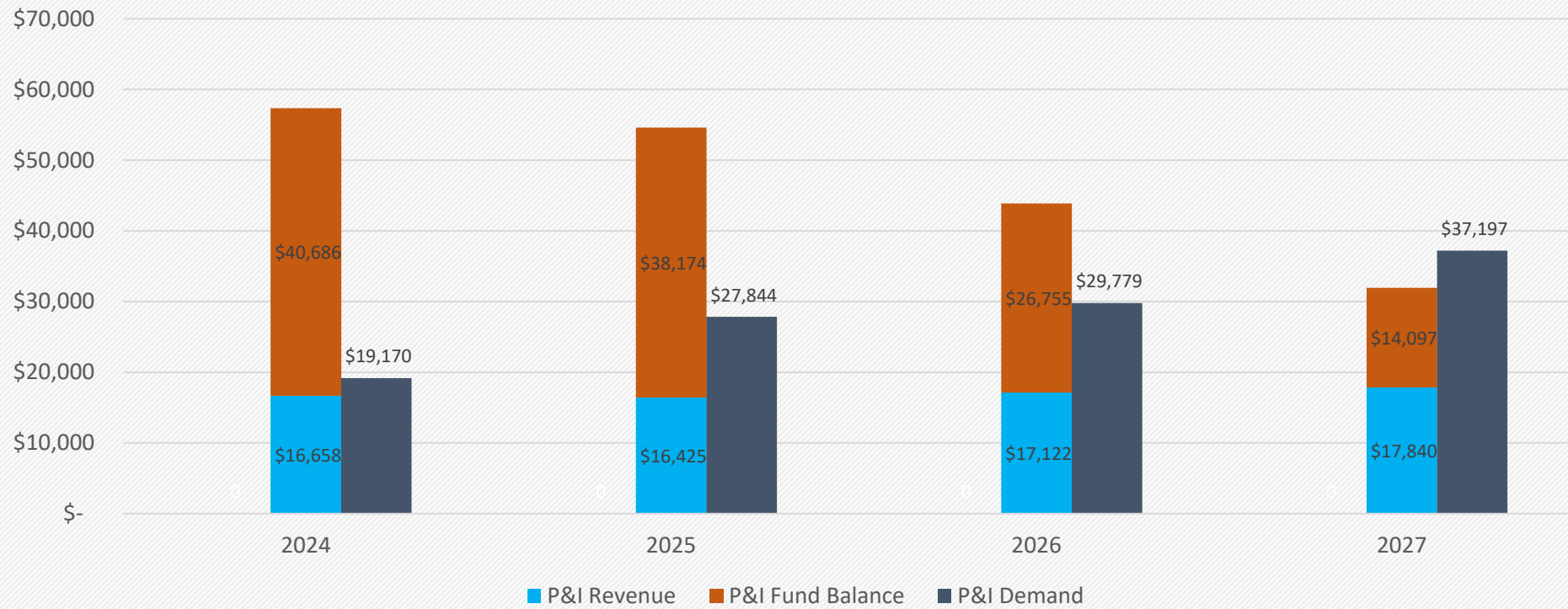
Rounded to 1000





P&I Need, Revenue & Fund Balance

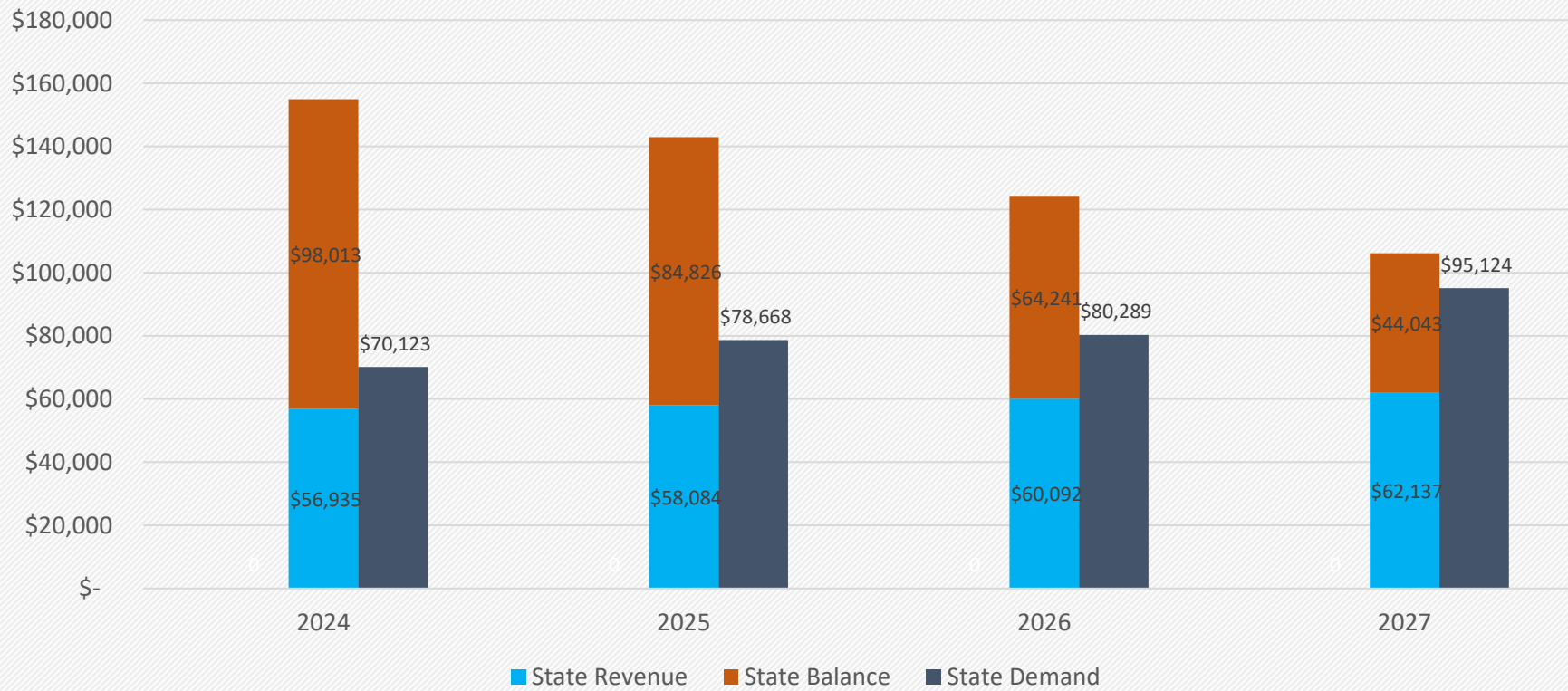
Rounded to 1000





Total State Need, Revenue & Fund Balance

Rounded to 1000



Next Steps



July UIAC Meeting

- Decision Package Presentation/Discussion
- Continued Revenue discussion

Rulemaking update

Stephanie Frazee, Legislation and Rules Coordinator, ESD



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Rulemaking



- **Cross-Program Payment Allocation** – Hearing took place on June 25 at 9:00 AM.
- **Expanded Voluntary Quits (HB 1106)** – Draft rules incorporating quitting due to inaccessible care for a child or vulnerable adult and defining a split shift were shared. No comments were received. Hearing will be on July 11 at 9:00.
- **Failure to Respond** – Working on update to WAC 192-140-035 to address both disqualification and ineligibility for failure to respond. Hearing will be on August 15 at 10:00 AM.

Rulemaking



- **Rescinding Withdrawal of Appeal** – Working on a process and standard of review for situations where a claimant or employer withdraws an appeal and later wishes to request to reinstate the appeal. CR 101 has been filed, published, and shared via GovDelivery. Comments are due June 29.
- **Relief of Benefit Charges** – Updating our rule to mirror the statutory language. CR 101 has been filed, published on our website, and shared via GovDelivery. Comments are due on July 24.
- **Transportation Network Companies (HB 1570)** – Drafted rules concerning relief of benefit charges for part-time workers and potential other rules needed to implement bill. These have been published on our website and will be shared via GovDelivery within the next week.

Legislative Implementation items

Stephanie Sams, UICS Policy & Legislative Implementation Manager, ESD

Josh Dye, Legislative Affairs Manager, ESD

Paul Rostad, Data Consultant, ESD



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Legislative Implementation items: **Voluntary Quits**



- 2023 Legislation, staggered effective dates
 - Large, final effective date is July 7, 2024
- Expanding good cause quits
 - Added request in change of schedule as way to preserve employment
 - Removed word 'immediate' from family member for death, illness, disability – September 3, 2023
 - Involuntary shift changes – July 7, 2024
 - Relocating to follow minor child – July 7, 2024
 - Inaccessible care (costs socialized) – July 7, 2024 – July 8, 2029 (Report due Nov 2028)

Legislative Implementation items: **Apprenticeship Materials**



\$100,000 of the unemployment compensation administration account – federal appropriation is provided solely for the department to develop and deploy training on filing claims and navigating the unemployment system for apprentices and apprentice advocate groups

- U.S. DOL funded Tiger Team projects
 - Online “How-To” videos

Legislative Implementation items: Standard Occupational Code (SOC) Project



- 2020 legislation, went into effect in 2021
- Standard occupational classification (SOC) or job title
- Delayed enforcement
- Webinars
- New Employer Orientation
- ESD employee training
- Extensive Outreach

Legislative Implementation items: **Undocumented workers workgroup**



- 2024 Budget Proviso
- Continue exploring funding mechanisms
- Workgroup convened and meeting through summer
- Report due to Legislature November 2024

Legislative Implementation items: **MWBA reminder**



- 2023 Minimum Weekly Benefit Amount report draft was submitted to OFM in early June
- Please submit comments by the end of business, **Monday, July 1**

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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**Break
Return at ()**