

A photograph showing the silhouettes of several people standing around a table in a meeting room, with a bright light source creating a lens flare effect. The image is used as a background for the top left portion of the slide.

Unemployment Insurance ADVISORY COMMITTEE



Employment Security Department

WASHINGTON STATE

Agenda



- I. Approval of June 26, 2024, meeting minutes
- II. June Trust Fund Report
- III. UI Fraud Management/Customer Compliance Decision Package
- IV. Outreach Decision Package
- V. Financing the UI Program
- VI. Rulemaking Update
- VII. Public comment
- VIII. Adjourn

June Trust Fund Report



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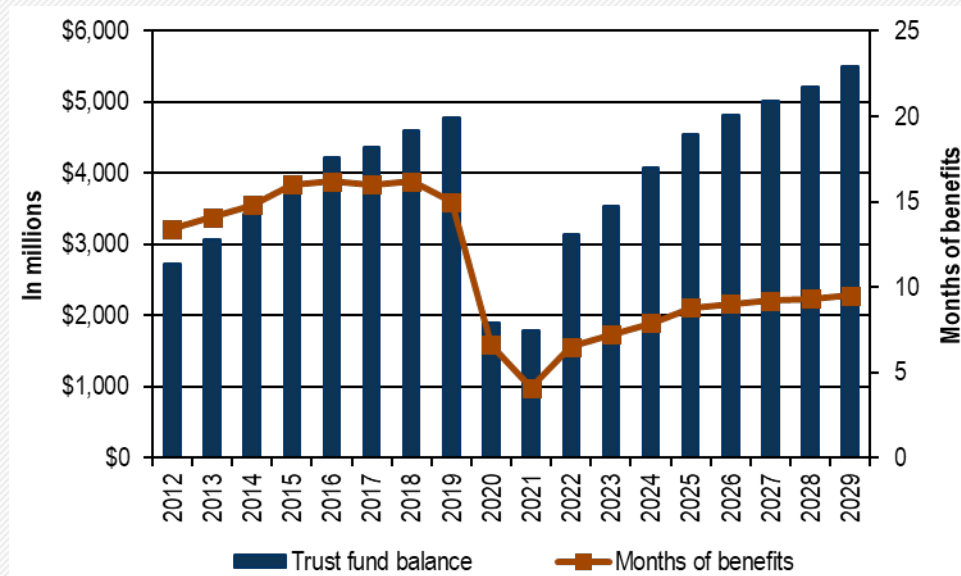
Vaughn Ellis, Actuarial Analyst, ESD



Unemployment Insurance Trust Fund



On June 30, the UI trust fund held approximately \$3.6 billion, slightly lower than our projected \$3.8 billion.

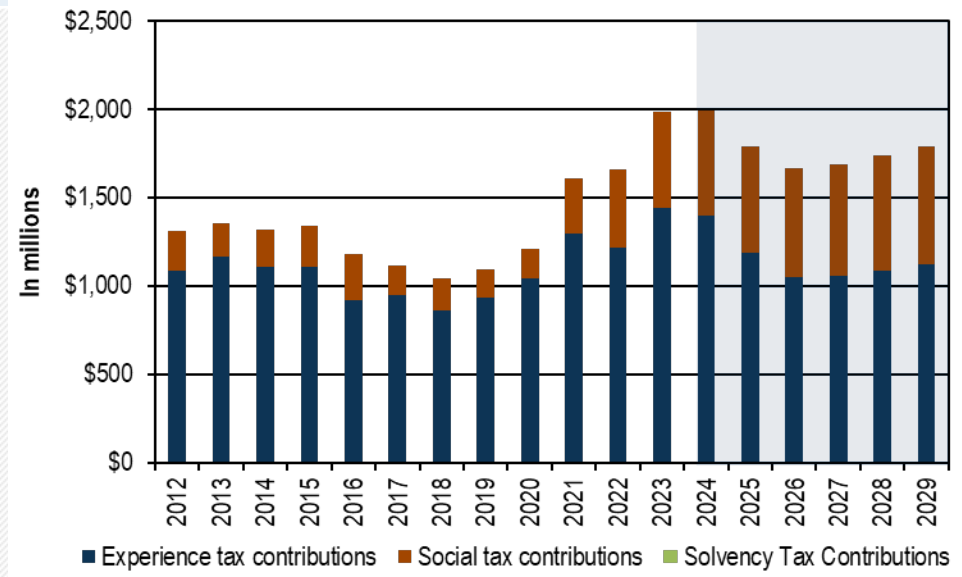




Employer Contributions



Projected Employer Contributions	November 2023	June 2024
2024	\$2.0 Billion	\$2.0 Billion
2025	\$1.9 Billion	\$1.8 Billion

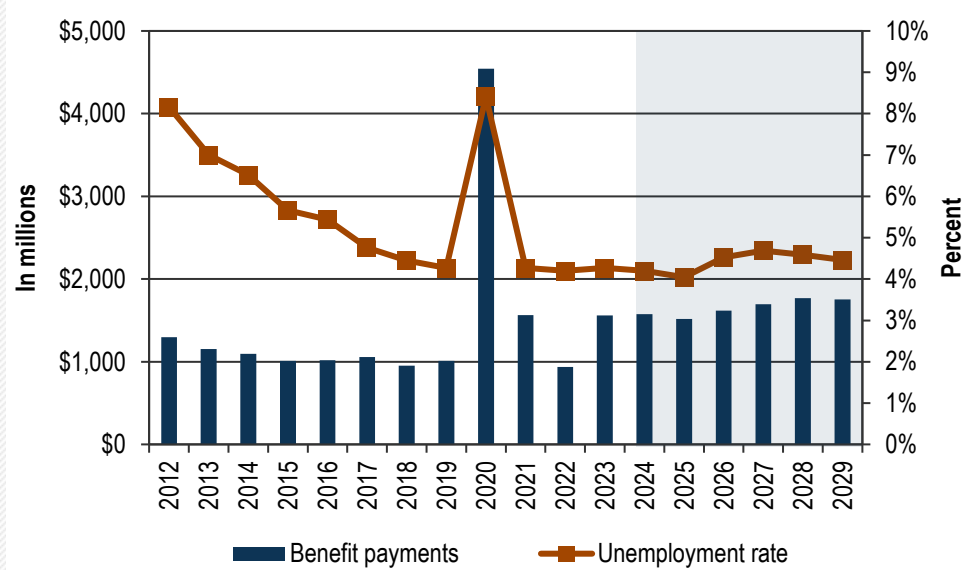




Benefit payments



Projected Benefit Payments	November 2023	June 2024
2024	\$1.3 Billion	\$1.6 Billion
2025	\$1.5 Billion	\$1.5 Billion



UI Fraud Management Customer Compliance Decision Package

Matt Buelow, Customer Compliance Director, ESD



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UI Identity Fraud



- FY19 (pre-pandemic) – 10,467 investigations
- FY21 (height of pandemic) – 369,664
- FY24 (post-pandemic) – 96,736

Staff and Tools



Staff

- 58 FTE manually working on ID issues

Tools

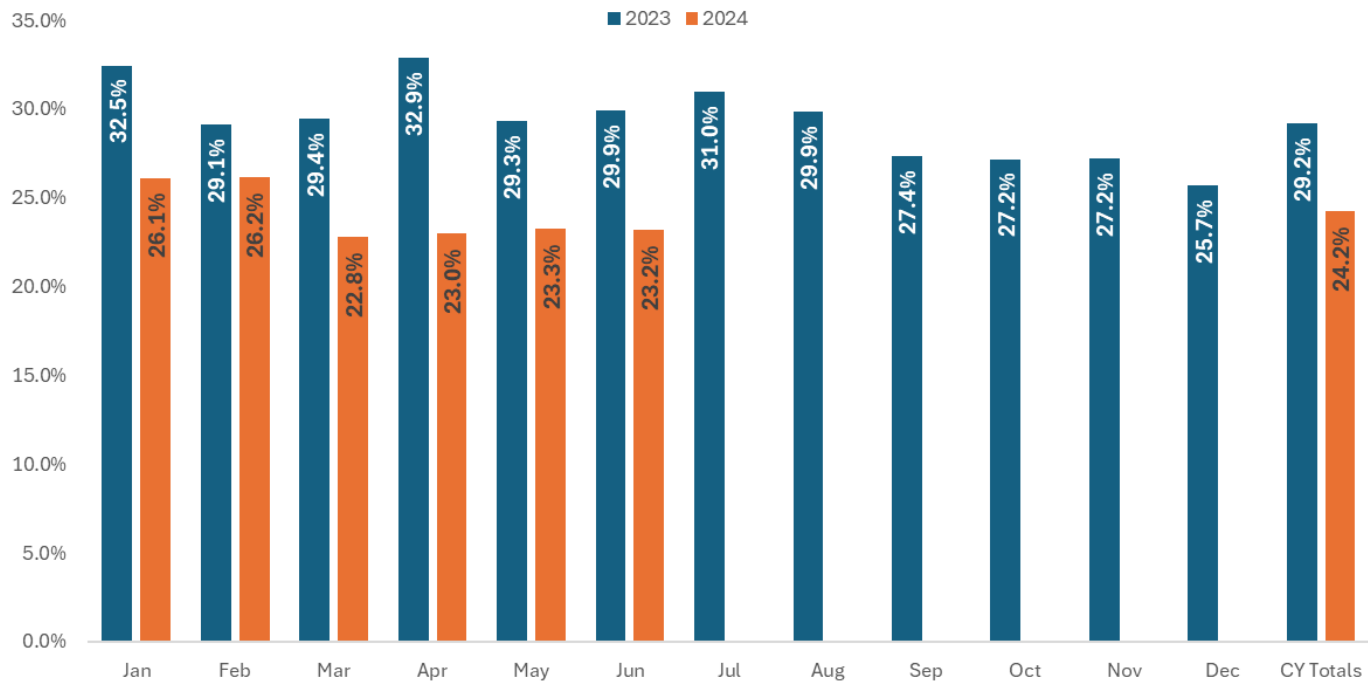
- In use:
 - NASWA Integrity Data Hub (IDH): unique, secure, multistate data system with advanced data cross-matching and analysis capability that detects and prevents UI fraud and improper payments.
 - Dept of Licensing: Driver's license data sharing agreement
- Planned:
 - Login.gov*: Platform used to verify identity.
 - USPS*/WorkSource: In-person ID verification

*Cost paid by USDOL for two years

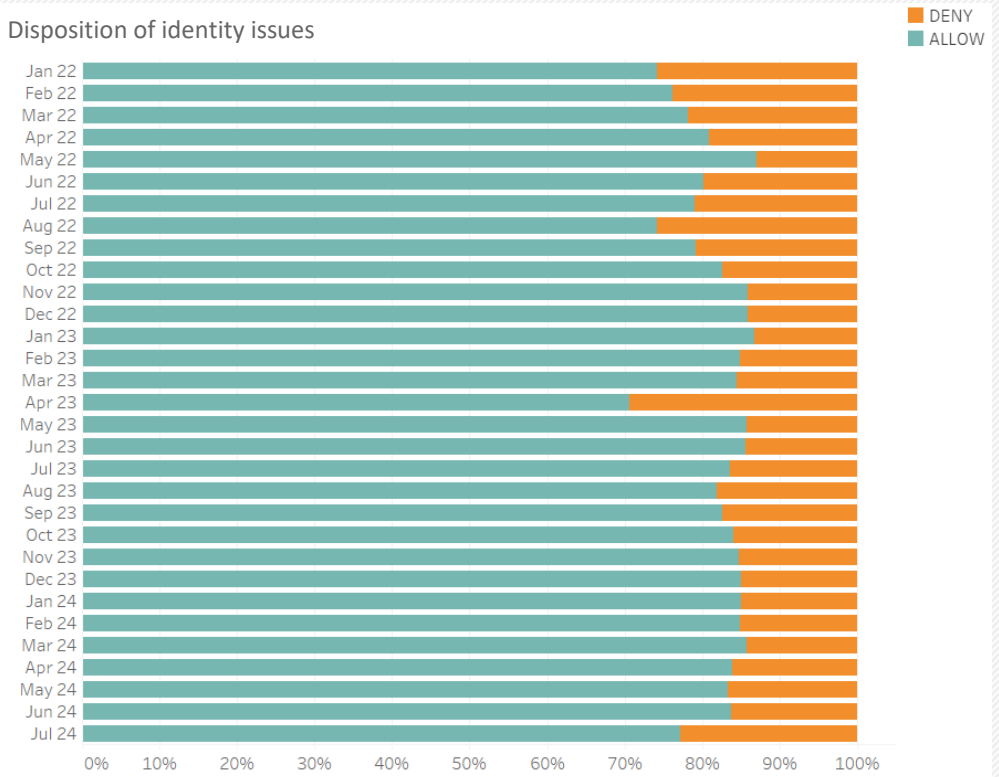
ID Issue Metrics



Percentage of Identity issues created compared to UI claims filed



Disposition of identity issues



Approximate ID fraud loss Jan 2023-July 2024



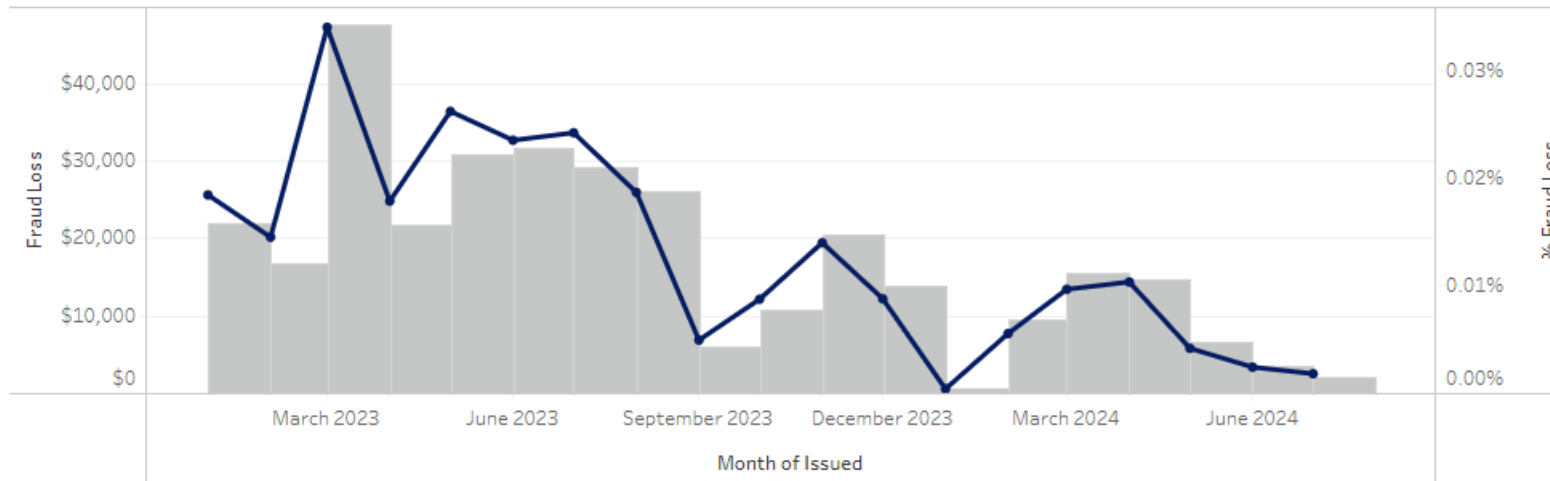
Fraud loss as a percentage of payments issued

\$3B
Payments

\$330K
Fraud Loss

0.01%
% Fraud Loss

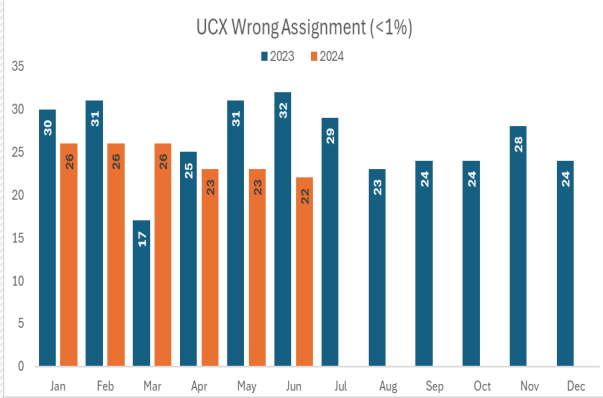
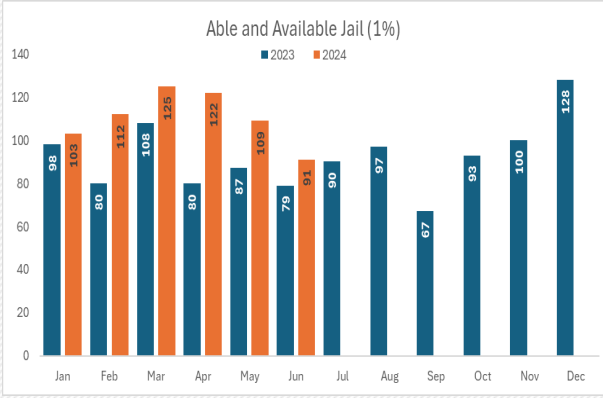
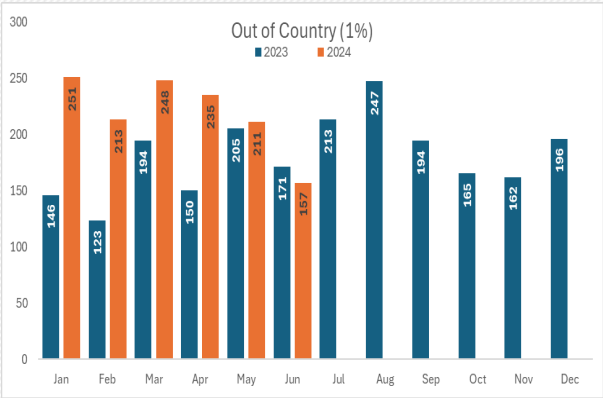
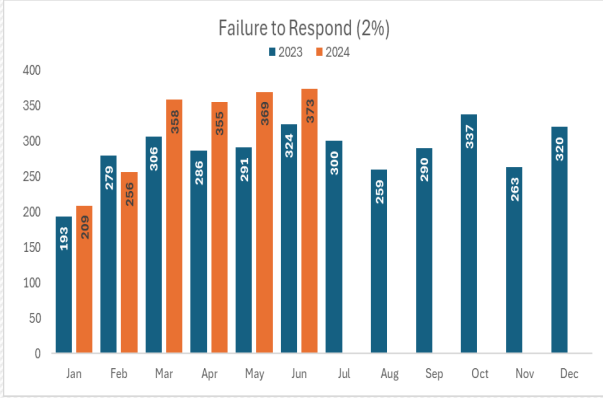
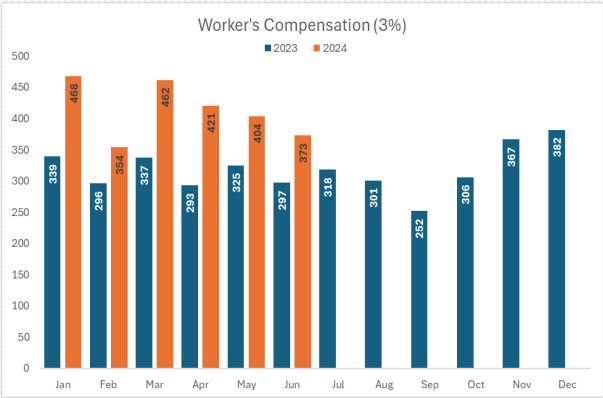
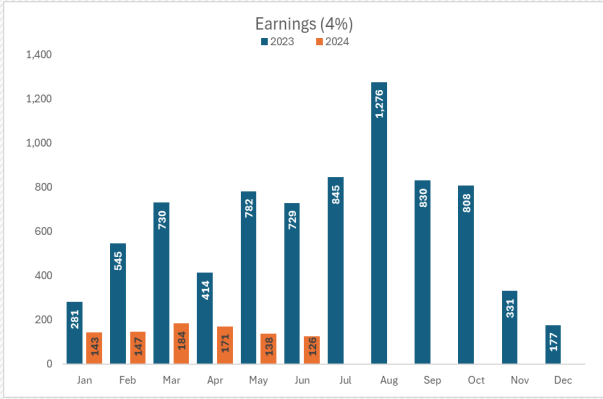
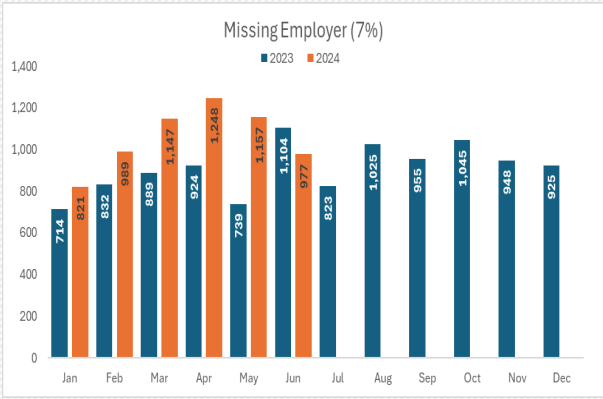
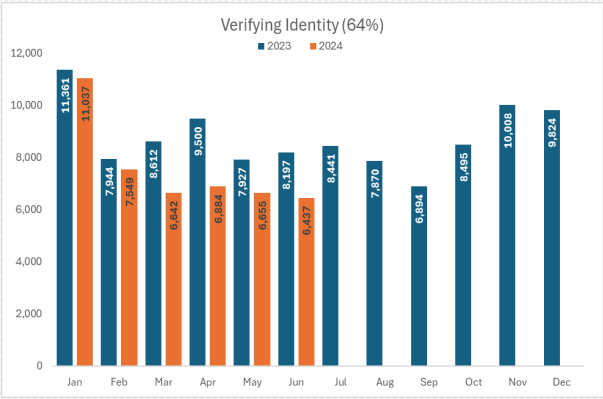
1/1/2023 7/31/2024



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Cases



Customer Compliance Decision Package-UI



20 total UI FTE:

- 14 (no net new, maintains current staffing levels) fraud investigators/supervisor
- 2 UI/PFML eligibility overlap
- 1 audit supervisor
- 3 support staff

Summary



- Fraud landscape much different than pre-pandemic
- Current UI ID fraud loss levels are close to zero
- Combination of staffing and tools to manage fraud
 - New fraud chief coming on board
 - Determining the right balance of staff and tools to ensure eligible claimant receive benefits timely while preventing fraudulent actors from claiming benefits.

Outreach Decision Package

Nino Gray, Executive Outreach Officer, ESD



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Executive Outreach Office



Executive Outreach Officer Introduction and Overview



Executive Outreach Office



Executive Outreach Current

- Relationship building with ESD programs and key external partners
- Representing ESD on Governor's Small Business Liaison Team and on small business boards
- Support agency outreach initiatives underway: i.e. UI Navigator

Executive Outreach Future

- Grow CBO relationships from a cross-agency perspective
- Lead collaborative outreach and engagement efforts across the agency increasing efficiency and effectiveness in communities
- Increase community outreach, engagement and collaboration
- Improve quantity and quality of outreach-related information shared with community partners
- Evaluate and update outreach methods, strategies and outcomes to inform agency practices

Outreach Decision Package



- Funding for staff to support Executive Outreach Office
- Funding for awards to Community-based organizations to do outreach and education for all Employment Security benefit programs
 - Includes outreach and education for employers
- Aligns with other agencies like L&I as well as other states like New Jersey

Outreach Decision Package



- \$3 million in awards for Community-based Organizations
- \$300,000 for hosting and sponsoring events to extend reach beyond awarded CBO's
- Six FTE
 - 2 Outreach Program Managers
 - 1 Outreach Program Coordinator
 - 1 Administrative Assistant
 - 1 Communications Consultant
 - 1 Operational Research Specialist

Outreach Decision Package



Total funding ask for biennium = \$5.1 million dollars (CPP and PFML)

Financing the UI Program

Danielle Cruver, Chief Financial Officer, ESD

Eve Sheng, Managing Actuary, ESD

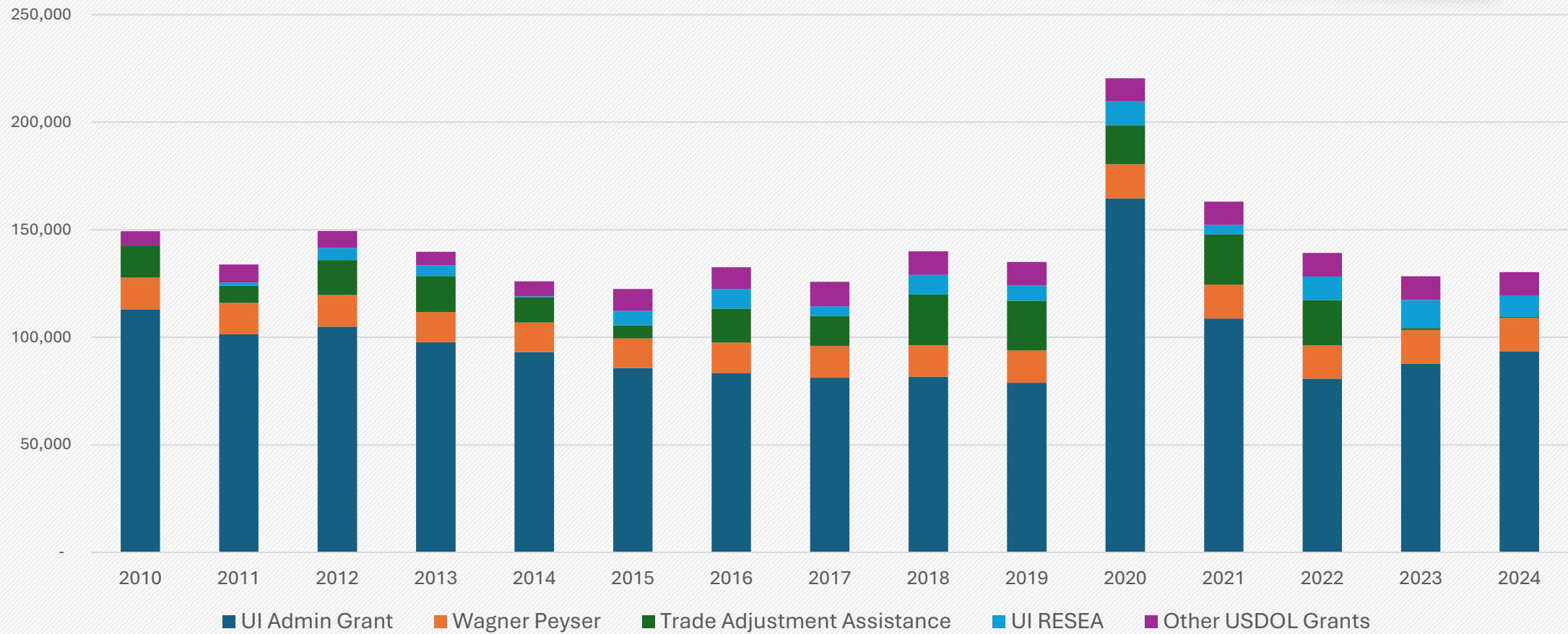
Dan Zeitlin, Chief of Staff, ESD



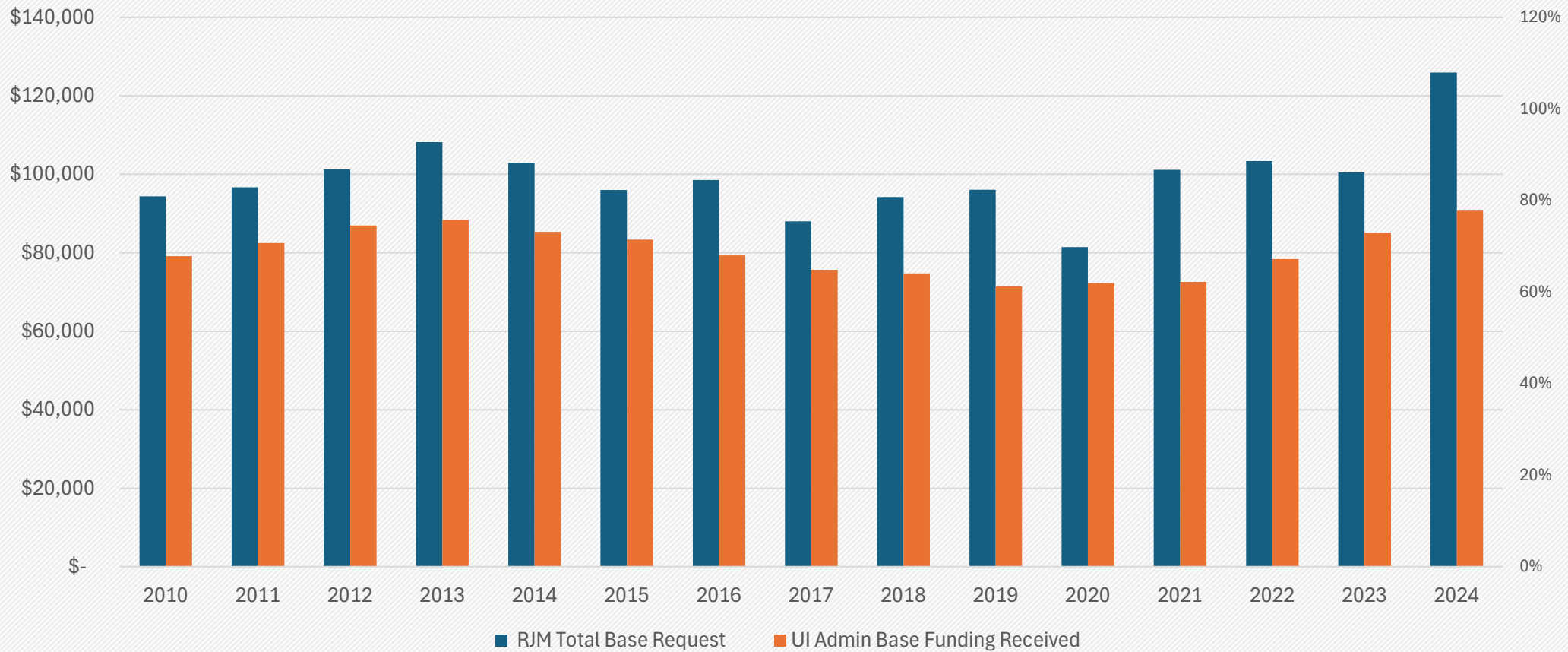
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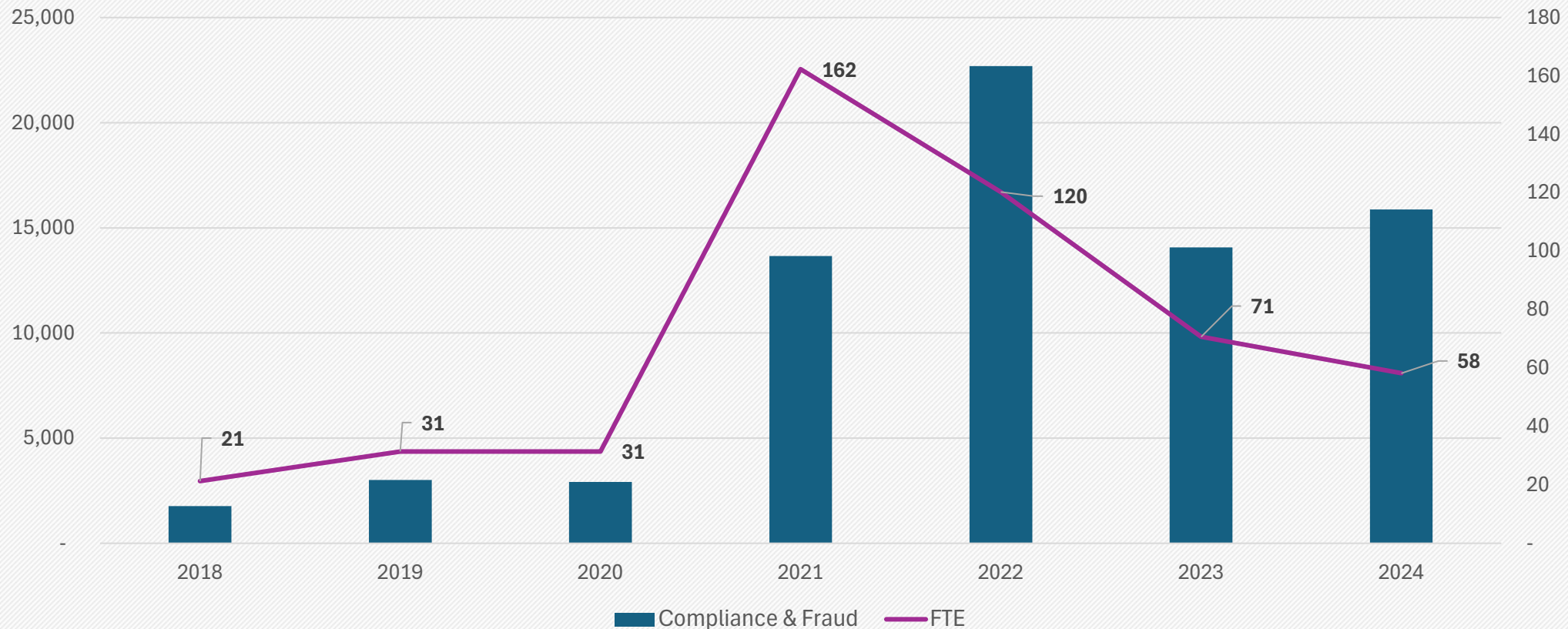
Federal Revenue Remains Flat



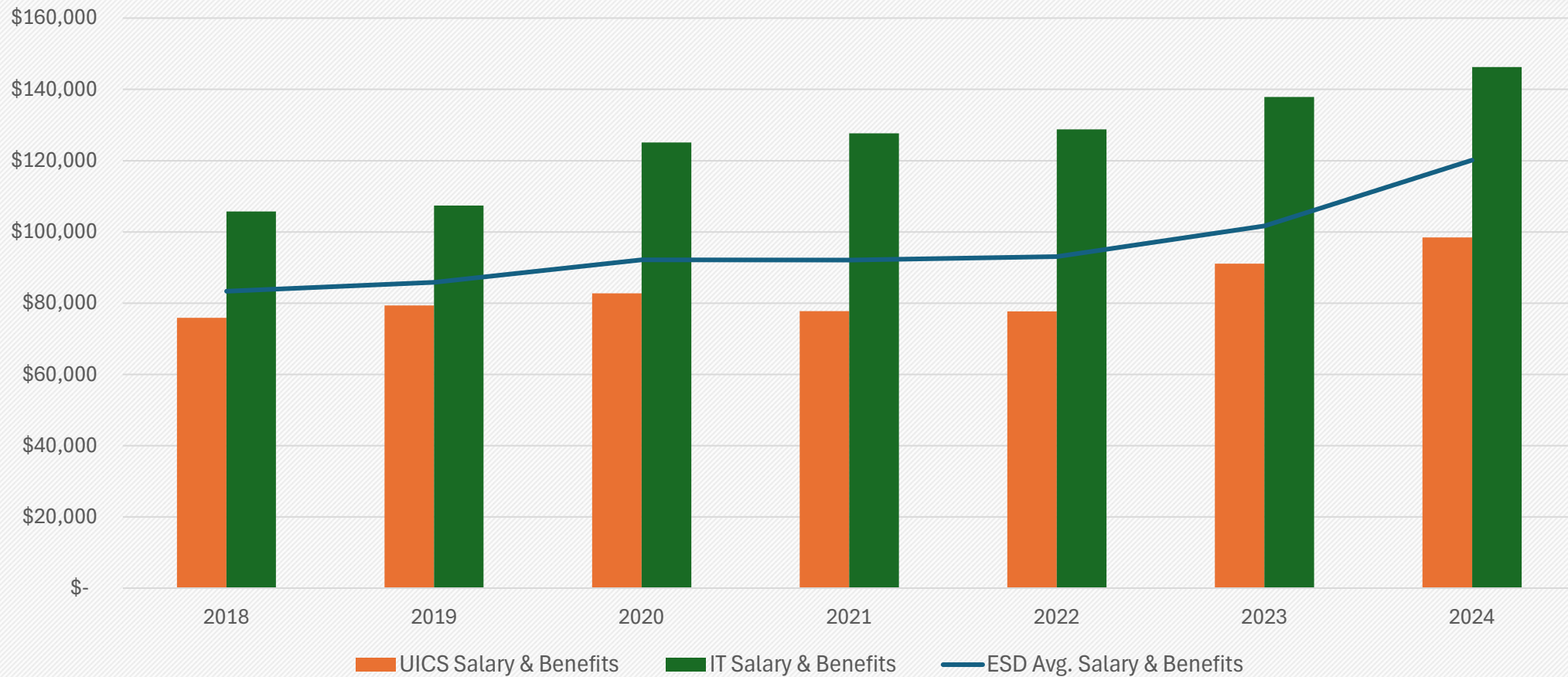
UI Federal Funds Can't Keep Up w/Costs



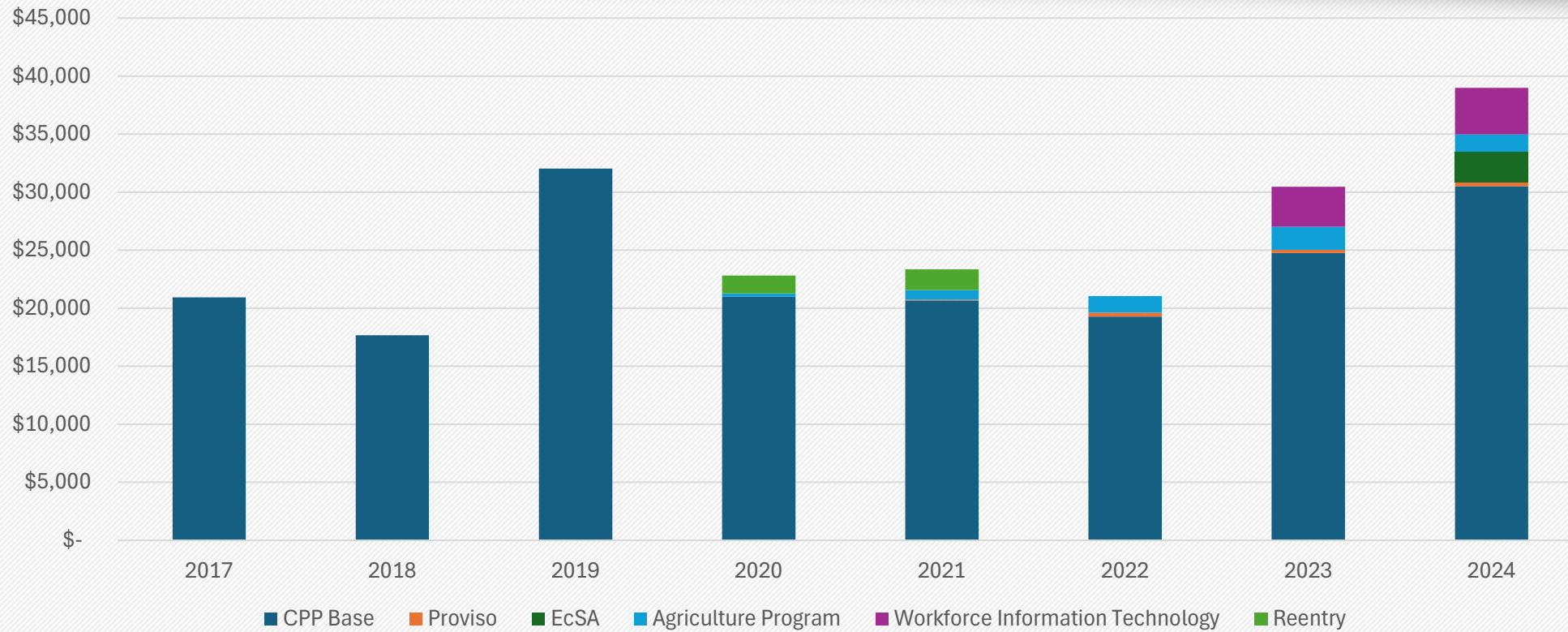
Cost Driver: Identity Theft Changed Fraud Landscape



Cost driver: Average personnel costs increasing



CPP is used to resource other programs



Financing ESD Programs: Scenarios



Actuary Provided 3 Scenarios:

Scenario #1: Assumes current ESD program (UI, Workforce, and LMI) needs with a 3-month contingency buffer.

Scenario #2: Assumes current ESD program needs, 3-month contingency buffer and approval of DPs for which ESD is requesting CPP funding.

Scenario #3: Assumes current ESD program needs, 3-month contingency buffer and approval of all DPs financed with CPP regardless of funding source request.

**Note:* Funding amounts are estimates.

Note:

scenario#1, namely, state fund reserve;

scenario#2, state fund reserve + DP group 2, including UI customer improvement operations, customer compliance, system modernization, UI navigators and WIT;

scenario#3 state fund reserve + DP group 2 + DP group 3 which includes re-entry employment services, service corps support and agriculture workforce services



UI Funding Status vs. Operational Needs



- Federal Tax (FUTA) remains flat* on \$7000 wage base since 1983
- State funds supplement continuous federal funding shortfall**
 - Exhausting state funds by 2029
 - Reducing support against rising demands
 - Delaying investments to future needs
 - Widening gaps to meet expectations over time
- Explore additional funding streams
 - Fund appropriation from social tax
 - Increase CPP tax
 - General fund
 - Hybrid

Note: estimate state funds ending balance about \$15 million by FY2027 and potential deficit of \$8.8 million by FY2029

*0.8% between 1983-2010 and 0.6% post 2010 after FUTA credit

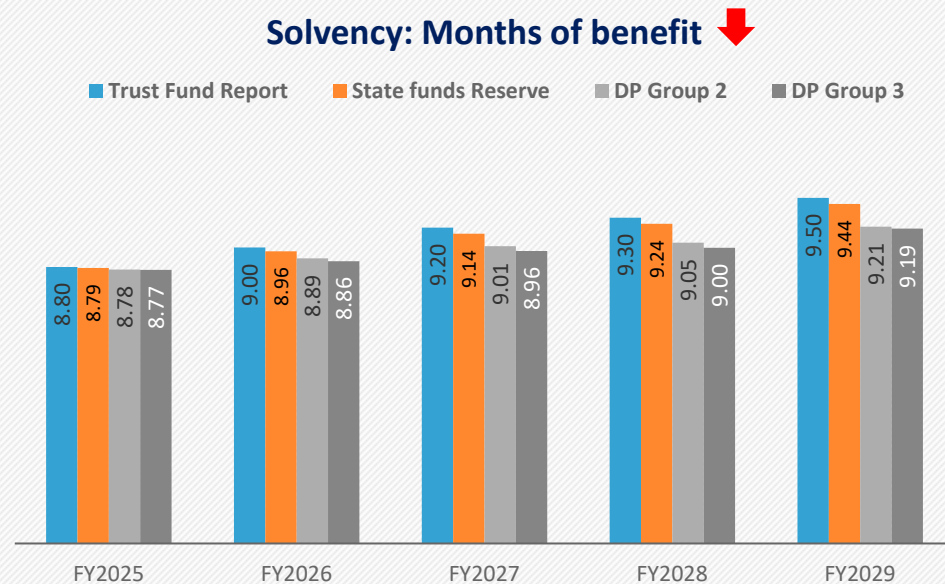
**about 0.015%~0.02%of taxable income in near term, and the gap will grow overtime if no increase from federal funding in the future

Short-term Impact on Trust Fund Solvency, Flat Social Cost Factor*

Appropriating fund by diverting social tax



- Trust fund solvency level (months of benefit) down by **0.31 month** (9.50 vs. 9.19) by 2029
- Over time, continuous demand weakening trust fund solvency and posting greater solvency risk



Months of Benefit	Social Cost Factor	Solvency Tax
<7-month		0~0.20%
<10-month	0.60%	
<11-month	0.50%	
<12-month	0.40%	
....	

Note:

scenario#1, namely, state fund reserve (3- month payroll)

scenario#2, state fund reserve + DP group 2, including UI customer improvement operations, customer compliance, system modernization, UI navigators and WIT;

scenario#3 state fund reserve + DP group 2 + DP group 3 which includes re-entry employment services, service corps support and agriculture workforce services

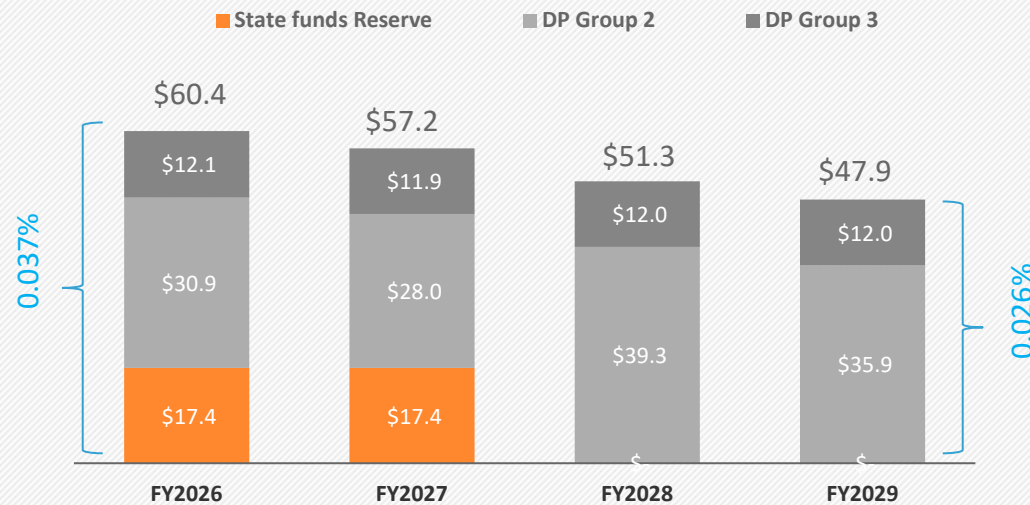
Additional Funding to Support Program and Implied % Taxable Wage

Increasing CPP tax



- Combined annual funding needs account for **0.026~0.037%** tax increase, FY26-27 CPP tax up to 0.057% (vs. 0.02%)
- Employers at Rate class 10 tax rate up to **1.537% from 1.500%** and incur \$ 15,370 tax (vs. \$15,000) for every million taxable wage in 2026

Additional Funding Needs (\$millions)



CPP tax rate	ESD Tax Revenue** (million)
0.010%	\$15.8
0.020%	\$31.6
0.030%	\$47.4
0.040%	\$63.2

Note:

scenario#1, namely, state fund reserve (3- month payroll)

scenario#2, state fund reserve + DP group 2, including UI customer improvement operations, customer compliance, system modernization, UI navigators and WIT;

scenario#3 state fund reserve + DP group 2 + DP group 3 which includes re-entry employment services, service corps support and agriculture workforce services

**Use closest calendar year taxable wage as the base

Hybrid Approach Mitigating Risks/Impacts

Leveraging all funding streams



Funding Stream	Usage of Funds	Impact
Fund Appropriation	Social Tax Diversion to CPP Account State Fund Reserve	Month of Benefits down by 0.06 <ul style="list-style-type: none"> • Annual \$17.4 million FY26-27 • No impact post FY26-27
CPP Tax Increase	Decision Package Group 2	Annual CPP tax up by 0.02% <p>For example:</p> <ul style="list-style-type: none"> • Rate class 10 tax rate @ 1.52% vs. 1.50% • Rate class 20 tax rate @ 3.12% vs. 3.10% • Rate class 40 tax rate @6.04% vs. 6.02%
General Fund	Decision Package Group 3	Annual request of \$12 million

Note:
 scenario#1, namely, state fund reserve (3- month payroll)
 scenario#2, state fund reserve + DP group 2, including UI customer improvement operations, customer compliance, system modernization, UI navigators and WIT;
 scenario#3 state fund reserve + DP group 2 + DP group 3 which includes re-entry employment services, service corps support and agriculture workforce services

Next Steps



- **Decision Packages Impacting the UI program**
 - Maintain Existing Services (CPP)
 - Customer Improvement/Call Center Operations (CPP)
 - UI (Core21) Technology Improvement (Reed Act)
 - ESD Outreach (CPP and PFML)
 - Website Modernization (CPP and PFML)
- Decision Packages impacting CPP
 - Workforce Information Technology
- **General Fund State Decision Package Requests**
 - Service Corps
 - Justice Involved Employment Services
 - Economic Security for All (EcSA)
 - Agricultural and Seasonal Workforce Services (ASWS)

Agency Request Legislation

- Diversion of social tax appropriation and adjusting the CPP rate

Rulemaking Update

Stephanie Frazee, Lead Tax Policy Specialist, ESD



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Rulemaking



- **Cross-Program Payment Allocation** – Hearing held on June 25. Working on formally adopting rules.
- **Expanded Voluntary Quits (HB 1106)** – Hearing held on July 11. Working on formally adopting rules incorporating quits for inaccessible care and split shift.
- **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. Draft language has been shared. Comments are due on August 15.
- **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 were due on July 24. Working on draft language.
- **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 shared via GovDelivery.

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 ()**