

# Unemployment Insurance Trust Fund Forecast

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# Executive summary

This report provides the status of, and updated projections for, the state's unemployment insurance (UI) trust fund for 2021 through 2027. The report is based on the November 2023 economic forecast released by the state's Economic and Revenue Forecast Council (ERFC) using forecast information and UI tax and benefit data through the second quarter of 2023.

As of November 22, 2023, the UI trust fund balance was approximately \$3.7 billion. Unemployment benefit payments from the trust fund are projected to be approximately \$1.5 billion in 2023 and \$1.3 billion in 2024. Employer tax contributions to the UI trust fund are projected to be approximately \$1.9 billion in 2023 and \$2.0 billion in 2024. The trust fund had 7.2 months of benefits available at the end of third quarter 2023, with the reserve continuing to grow over the 2023 to 2027 forecast period.

This report contains the following items:

- Employer contributions, benefit payments and projected trust fund balance through 2027;
- November 2023 forecast compared to the September 2023 forecast; and
- Appendix 1: Economic assumptions for the November 2023 forecast compared to the September 2023 forecast.

If you have any questions please contact Gustavo Avilés, Chief Analytics Officer, at 360-890-3736 or email: [data@esd.wa.gov](mailto: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 2023 economic forecast.

This forecast uses the November 2023 ERFC assumptions and actual unemployment insurance tax and benefit data through September 30, 2023. The economic assumptions used for the November 2023 forecast compared to the September 2023 forecast are provided in Appendix 1.

# Employer contributions

Employer tax contributions are projected to be approximately \$1.93 billion in 2023 and \$1.97 billion in 2024. Figure 1 shows annual projections of employer contributions through 2027.

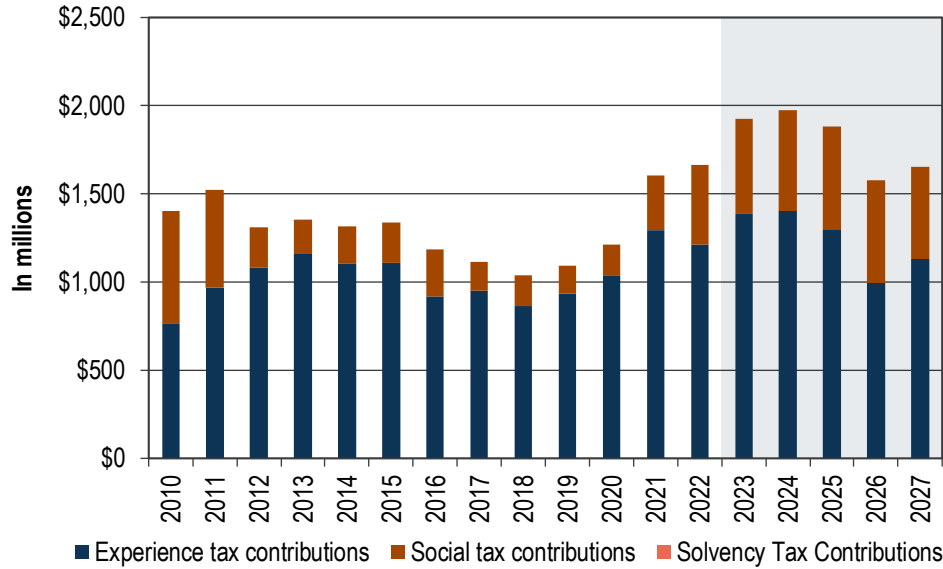
Per state law, 2023 experience tax rates are based on benefits paid between July 1, 2018 and June 30, 2022. In addition, per state law, the taxable wage base increased from \$62,500 to \$67,600 in 2023.

The COVID-19 pandemic caused a high volume of claims. The increased benefit payments would normally cause a significant increase in employer contributions. To mitigate this, ESSB 5478, which went into effect on May 12, 2021, provided \$500 million in additional financial relief to certain taxable employers to offset benefit charges from COVID-19-related claims. An employer's social tax rate starts with the flat social tax rate, typically with a cap of 1.22%, which is then graduated by rate class. Previous COVID-19 legislation, ESSB 5061, provided employers experience tax relief and lowered the flat social tax for 2021 to 2025. This cap was further lowered to 0.5% for 2022 and 0.7% for 2023 by ESSB 5873, which went into effect on March 11, 2022.

The flat social tax rate for 2023 is 0.6%. It is projected to hold at 0.60 through 2026. Solvency taxes, imposed if the trust fund cannot provide for seven 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, 2010 through 2027. Source: Employment Security Department/DATA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

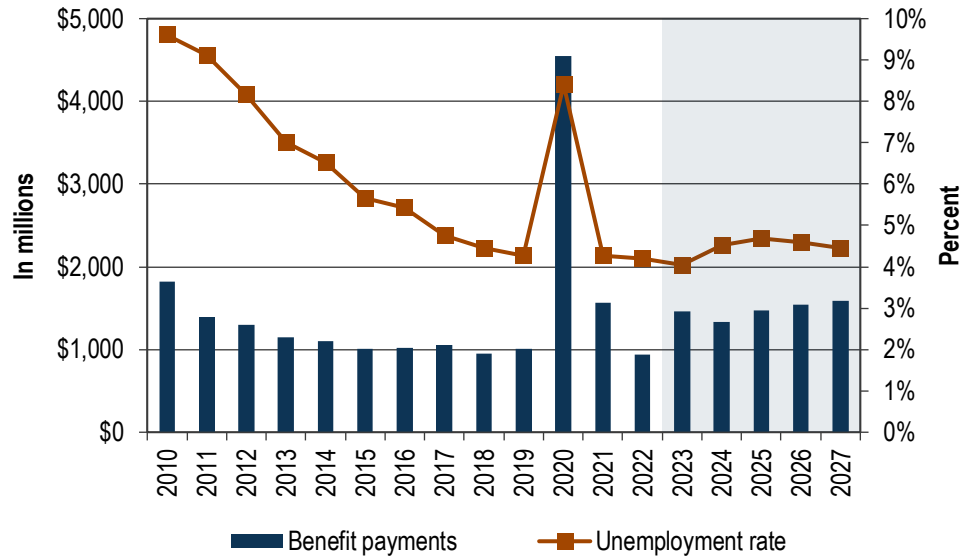
Employer tax contributions are projected to be approximately \$1.93 billion in 2023, \$1.97 billion in 2024, and \$1.88 billion in 2025.

## Unemployment benefit payments

Benefit payments from the UI trust fund are projected to be approximately \$1.46 billion in 2023 and \$1.33 billion in 2024. Per state law, the minimum weekly benefit amount will increase from \$317 to \$323, and the maximum weekly benefit amount will increase from \$999 to \$1,019 in 2024. Figure 2 shows annual projections of benefit payments from the trust fund and the projected state unemployment rate through 2027.

Figure 2. Benefit payments from state unemployment trust fund

Washington state, 2010 through 2027. Source: Employment Security Department/DATA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

Benefit payments from the trust fund are projected to be approximately \$1.46 billion in 2023 before increasing to approximately \$1.33 billion in 2024.

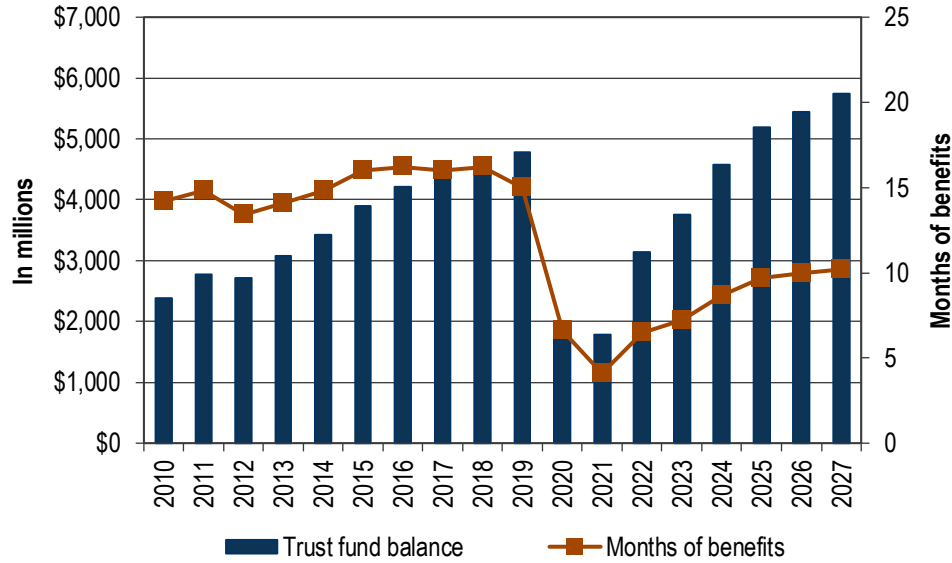
## Trust fund balance

As of November 27, the UI trust fund balance was approximately \$3.71 billion. On September 30, 2023, the trust fund is projected to have 7.2 months of benefits.

Figure 3 shows the annual projected year-end trust fund balance through 2027. 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 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, 2010 through 2027. Source: Employment Security Department/DATA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

The reserves in the trust fund are projected to cover 7.2 months of benefits in 2023.

## Trust fund scenario: November 2023 forecast compared to September 2023

This scenario compares the November 2023 forecast (top half of table) to the published September 2023 forecast (bottom half of table).

Figure 4. Washington state trust fund forecast

Washington state, November 2023 and September 2023. Source: Employment Security Department/DATA/ETA 2112/ETA 5159/UI Wage File

Unemployment insurance trust fund: November 2023 Baseline Forecast							
(based on actual data through September 30, 2023. November 2023 Washington State Economic and Revenue Forecast Council assumptions)							
Taxes	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
Average experience tax rate (percent)	1.23%	0.92%	1.00%	1.00%	0.90%	0.66%	0.73%
Experience tax contributions (in millions)	\$1,295.49	\$1,213.09	\$1,386.06	\$1,403.15	\$1,300.87	\$994.29	\$1,132.06
Flat social tax rate (percent)	0.35%	0.50%	0.60%	0.60%	0.60%	0.60%	0.50%
Social tax contributions (in millions)	\$310.27	\$448.44	\$539.88	\$569.97	\$582.01	\$582.96	\$518.49
Solvency tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions (in millions)	\$-	\$-	\$-	\$-	\$-	\$-	\$-
<b>Total average tax rate (experience tax + social tax)</b>	<b>1.52%</b>	<b>1.26%</b>	<b>1.39%</b>	<b>1.41%</b>	<b>1.30%</b>	<b>1.05%</b>	<b>1.07%</b>
<b>Total tax contributions (in millions)</b>	<b>\$1,605.8</b>	<b>\$1,661.5</b>	<b>\$1,925.9</b>	<b>\$1,973.1</b>	<b>\$1,882.9</b>	<b>\$1,577.3</b>	<b>\$1,650.6</b>
Benefits							
Weeks compensated (in millions) - regular benefits	3.3	1.6	2.1	2.0	2.1	2.1	2.0
Average weekly benefit amount	\$490.43	\$605.02	\$688.10	\$678.88	\$714.64	\$754.63	\$779.07
Regular benefit payments (in millions)	\$1,562.9	\$936.9	\$1,463.3	\$1,329.7	\$1,476.4	\$1,547.8	\$1,592.5
Total benefit liability (in millions)	\$1,469.1	\$860.6	\$1,375.5	\$1,249.9	\$1,387.8	\$1,454.9	\$1,496.9
Reimbursable benefit payments (in millions)	\$93.8	\$76.2	\$87.8	\$79.8	\$88.6	\$92.9	\$95.5
<b>Total benefit payments (in millions)</b>	<b>\$1,562.9</b>	<b>\$936.9</b>	<b>\$1,463.3</b>	<b>\$1,329.7</b>	<b>\$1,476.4</b>	<b>\$1,547.8</b>	<b>\$1,592.5</b>
Trust fund							
Beginning trust fund balance (in millions)	\$1,890.6	\$1,790.2	\$3,133.2	\$3,758.3	\$4,580.4	\$5,193.2	\$5,445.5
Trust fund interest (in millions)	\$34.5	\$43.6	\$74.6	\$98.9	\$117.7	\$130.0	\$136.0
Total tax contributions (in millions)	\$1,605.8	\$1,661.5	\$1,925.9	\$1,973.1	\$1,882.9	\$1,577.3	\$1,650.6
Reimbursements from reimbursables (in millions)	\$93.8	\$76.2	\$87.8	\$79.8	\$88.6	\$92.9	\$95.5
Total benefit payments (in millions)	\$1,562.9	\$936.9	\$1,463.3	\$1,329.7	\$1,476.4	\$1,547.8	\$1,592.5
<b>Ending trust fund balance (as of 12/31) (in millions)</b>	<b>\$1,790.2</b>	<b>\$3,133.2</b>	<b>\$3,758.3</b>	<b>\$4,580.4</b>	<b>\$5,193.2</b>	<b>\$5,445.5</b>	<b>\$5,735.1</b>
<b>Months of benefits available (as of 9/30)</b>	<b>4.1</b>	<b>6.5</b>	<b>7.2</b>	<b>8.7</b>	<b>9.7</b>	<b>10.0</b>	<b>10.2</b>
Unemployment insurance trust fund: September 2023 Baseline Forecast							
(based on actual data through June 30, 2023. September 2023 Washington State Economic and Revenue Forecast Council assumptions)							
Taxes	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
Average experience tax rate (percent)	1.23%	0.92%	0.99%	1.00%	0.90%	0.77%	0.75%
Experience tax contributions (in millions)	\$1,295.49	\$1,213.09	\$1,390.93	\$1,407.30	\$1,295.52	\$1,144.35	\$1,156.67
Flat social tax rate (percent)	0.35%	0.50%	0.60%	0.60%	0.60%	0.60%	0.50%
Social tax contributions (in millions)	\$310.27	\$448.44	\$548.88	\$571.66	\$579.56	\$588.15	\$519.38
Solvency tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions (in millions)	\$-	\$-	\$-	\$-	\$-	\$-	\$-
<b>Total average tax rate (experience + social tax)</b>	<b>1.52%</b>	<b>1.26%</b>	<b>1.38%</b>	<b>1.41%</b>	<b>1.30%</b>	<b>1.16%</b>	<b>1.09%</b>
<b>Total tax contributions (in millions)</b>	<b>\$1,605.8</b>	<b>\$1,661.5</b>	<b>\$1,939.8</b>	<b>\$1,979.0</b>	<b>\$1,875.1</b>	<b>\$1,732.5</b>	<b>\$1,676.1</b>
Benefits							
Weeks compensated (in millions) - regular benefits	3.3	1.6	2.1	2.2	2.2	2.2	2.1
Average weekly benefit amount	\$490.43	\$605.02	\$673.18	\$687.91	\$717.80	\$756.56	\$781.95
Regular benefit payments (in millions)	\$1,562.9	\$983.0	\$1,412.4	\$1,487.6	\$1,613.6	\$1,661.9	\$1,667.0
Total benefit liability (in millions)	\$1,469.1	\$924.1	\$1,327.6	\$1,398.3	\$1,516.8	\$1,562.2	\$1,566.9
Reimbursable benefit payments (in millions)	\$93.8	\$59.0	\$84.7	\$89.3	\$96.8	\$99.7	\$100.0
<b>Total benefit payments (in millions)</b>	<b>\$1,562.9</b>	<b>\$983.0</b>	<b>\$1,412.4</b>	<b>\$1,487.6</b>	<b>\$1,613.6</b>	<b>\$1,661.9</b>	<b>\$1,667.0</b>
Trust fund							
Beginning trust fund balance (in millions)	\$1,890.6	\$1,790.2	\$3,133.2	\$3,816.2	\$4,495.3	\$4,967.4	\$5,261.5
Trust fund interest (in millions)	\$34.5	\$43.6	\$70.8	\$98.5	\$113.7	\$123.9	\$130.7
Total tax contributions (in millions)	\$1,605.8	\$1,661.5	\$1,939.8	\$1,979.0	\$1,875.1	\$1,732.5	\$1,676.1
Reimbursements from reimbursables (in millions)	\$93.8	\$59.0	\$84.7	\$89.3	\$96.8	\$99.7	\$100.0
Total benefit payments (in millions)	\$1,562.9	\$983.0	\$1,412.4	\$1,487.6	\$1,613.6	\$1,661.9	\$1,667.0
<b>Ending trust fund balance (as of 12/31, millions)</b>	<b>\$1,790.2</b>	<b>\$3,133.2</b>	<b>\$3,816.2</b>	<b>\$4,495.3</b>	<b>\$4,967.4</b>	<b>\$5,261.5</b>	<b>\$5,501.3</b>
<b>Months of benefits available (as of 9/30)</b>	<b>4.1</b>	<b>6.5</b>	<b>7.6</b>	<b>8.9</b>	<b>9.7</b>	<b>10.1</b>	<b>10.2</b>

# 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 2023 and September 2023. Source: Washington State Economic and Revenue Forecast Council

Unemployment rate (percent of workforce)			Wage & Salary Disbursements (percent growth)		
	Sep-23	Nov-23		Sep-23	Nov-23
2022	4.17%	4.17%	2022	6.60%	6.60%
2023	4.05%	4.01%	2023	7.21%	6.10%
2024	4.52%	4.53%	2024	4.47%	5.10%
2025	4.69%	4.66%	2025	5.01%	5.90%
2026	4.59%	4.55%	2026	5.26%	5.40%
2027	4.46%	4.46%	2027	5.58%	5.30%

Employment growth (percent growth)			Consumer Price Index (percent growth)		
	Sep-23	Nov-23		Sep-23	Nov-23
2022	4.70%	4.70%	2022	6.30%	6.30%
2023	2.34%	2.40%	2023	3.79%	3.80%
2024	0.26%	1.10%	2024	2.67%	2.40%
2025	0.64%	0.60%	2025	2.05%	2.20%
2026	0.99%	0.90%	2026	1.97%	2.20%
2027	1.01%	0.90%	2027	1.95%	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.