

# Unemployment Insurance Trust Fund

Briefing: Employment Security  
Department's September 2020 UI  
Trust Fund Forecast

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WASHINGTON STATE



Ways & Means Committee

# UI Trust Fund – September Forecast

- The September forecast is an improvement over the June forecast.
  - The fund is no longer projected to become insolvent.
  - A federal loan will be requested in Q1 2021, but ESD does **not** project the need to borrow.
  - As of September 30, 2020, the balance in the UI Trust Fund was \$2.28B.
  - This balance was sufficient that the solvency tax will **not** be implemented in CY 2021.
  - Social taxes are still projected to be at the maximum rate in CY 2021 and CY 2022.

# UI Trust Fund Overview

## June versus September Forecasts (\$ in millions)

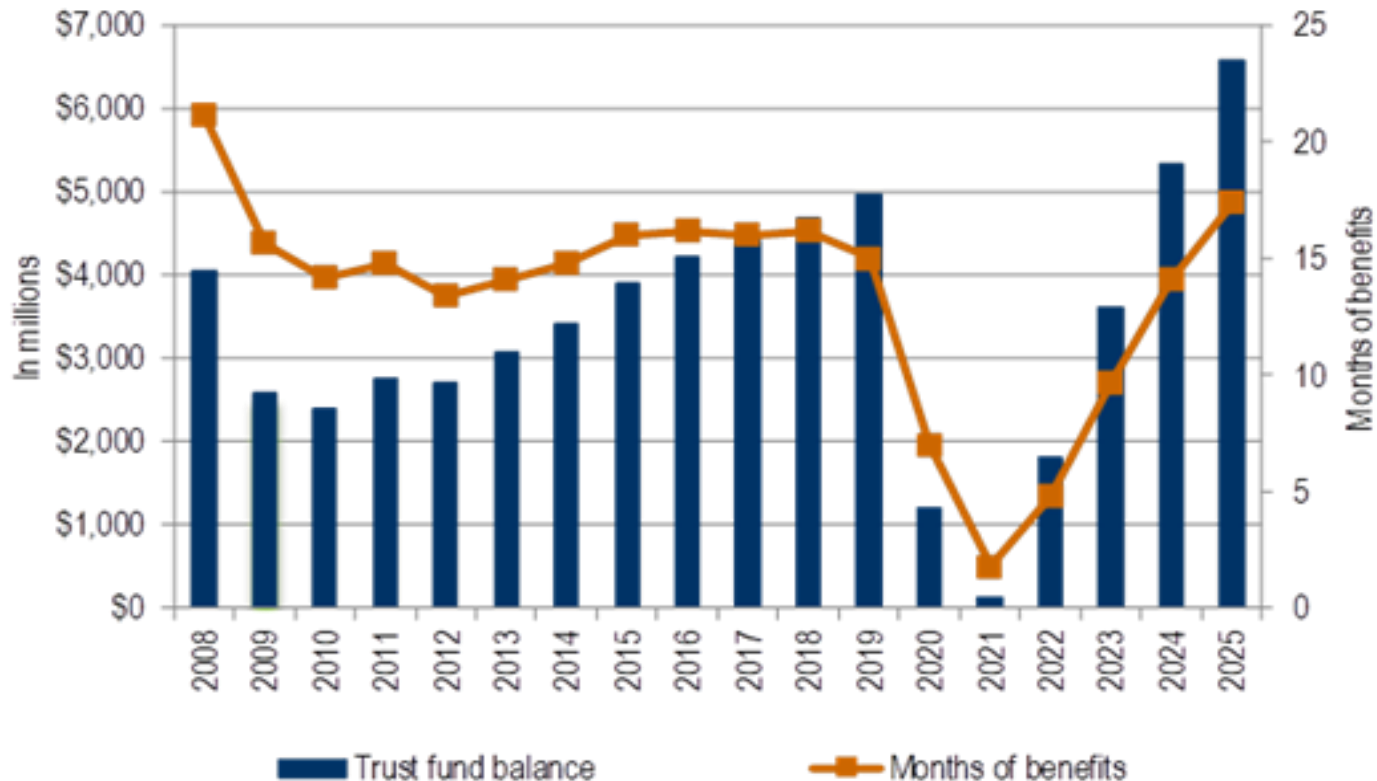
➤ September forecast: based on actuals through June 2020.

	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Tax Contributions (June)	\$998.7	\$2,101.6	\$3,181.8	\$3,076.8	\$2,870.9	\$2,411.4
Tax Contributions (September)	\$1,098.6	\$1,933.3	\$3,027.0	\$2,954.6	\$2,766.2	\$2,257.2
Benefit Payments (June)	\$5,499.9	\$3,278.4	\$1,552.5	\$1,449.0	\$1,486.4	\$1,505.6
Benefit Payments (September)	\$5,284.5	\$3,208.3	\$1,455.3	\$1,295.0	\$1,229.1	\$1,236.0
Ending Trust Fund Balance as of 12/31 (June)	\$900.7	\$(83.6)	\$1,649.4	\$3,416.3	\$4,984.3	\$6,110.5
Ending Trust Fund Balance as of 12/31 (September)	\$1,200.7	\$130.6	\$1,810.7	\$3,614.1	\$5,335.2	\$6,580.2

Data source: Employment Security Department

# UI Trust Fund Balances Over Time

- Fund balance was above 7 months of benefits in CY 2020 as of 9/30/2020.
- Fund balance will drop to 1 month of benefits in CY 2021.



Source: Employment Security Department

# Federal Loan Request

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- Federal law requires UI trust funds to hold sufficient balance to pay three months of benefits.
- ESD projects that Washington's Trust Fund balance will drop below this threshold in Q1 2021.
- At that point, the Governor or a designee must request an advance of funds from the US Secretary of Labor.
- Based on the September forecast, ESD does **not** project the need to draw against the advance.
  
- Loans must be repaid within two years.
- Interest is repaid with a quarterly 0.15% tax on wages.

# UI Tax Components

- Experience tax: based on experience rating over the previous four years.
- Social tax: will be at statutory maximum 1.22% in 2021 & 2022.
- Solvency tax: 0.2%; not triggered in 2021 but will be in 2022 & 2023.

	2020	2021	2022	2023
Experience tax contributions	\$909.7	\$1,095.9	\$1,787.1	\$2,099.3
Social tax contributions	\$188.8	\$837.4	\$1,036.6	\$612.5
Solvency tax contributions	-	-	\$203.4	\$242.8
<b>Total tax contributions</b>	<b>\$1,098.6</b>	<b>\$1,933.3</b>	<b>\$3,027.0</b>	<b>\$2,954.6</b>
Tax Revenues / Taxable Wages	0.94%	1.70%	2.57%	2.43%

Data source: Employment Security Department

# Appendix

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# Appendix: UI Trust Fund Forecast

## Unemployment insurance trust fund: September BASELINE forecast

(based on actual data through June 30, 2020, September 2020 Washington State Economic and Revenue Forecast Council assumptions)

		CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Taxes	5 Average experience tax rate %	0.93%	0.78%	0.97%	1.52%	1.73%	1.75%	1.49%
	6 Experience tax contributions (in millions)	\$ 933.7	\$ 909.7	\$ 1,095.9	\$ 1,787.1	\$ 2,099.3	\$ 2,179.4	\$ 1,903.7
	7 Flat social tax rate %	0.16%	0.25%	1.22%	1.22%	0.60%	0.60%	0.35%
	8 Social tax contributions (in millions)	\$ 160.4	\$ 188.8	\$ 837.4	\$ 1,036.6	\$ 612.5	\$ 552.6	\$ 353.5
	9 Solvency tax rate %	0.00%	0.00%	0.00%	0.20%	0.20%	0.00%	0.00%
	10 Solvency tax contributions (in millions)	\$ -	\$ -	\$ -	\$ 203.4	\$ 242.8	\$ 34.2	\$ -
	11 Total tax contributions (6+8+10) (in millions)	\$ 1,094.1	\$ 1,098.6	\$ 1,933.3	\$ 3,027.0	\$ 2,954.6	\$ 2,766.2	\$ 2,257.2
	12 Total average tax rate (experience tax + social tax)	1.08%	0.94%	1.70%	2.57%	2.43%	2.22%	1.77%
Benefits	13 Weeks compensated (in millions)- regular benefits	2.1	10.5	5.5	2.5	2.2	2.0	2.0
	14 Average weekly benefit amount	\$477.84	\$511.68	\$560.75	\$574.93	\$590.83	\$607.09	\$626.15
	15 Regular benefit payments (in millions)	\$ 1,010.6	\$ 5,254.5	\$ 3,058.3	\$ 1,455.3	\$ 1,295.0	\$ 1,229.1	\$ 1,236.0
	16 Extended benefit payments (state share)	\$ -	\$ 30.0	\$ 150.0	\$ -	\$ -	\$ -	\$ -
	17 Total benefit payments (15+16); (18+19) (in millions)	\$ 1,010.6	\$ 5,284.5	\$ 3,208.3	\$ 1,455.3	\$ 1,295.0	\$ 1,229.1	\$ 1,236.0
	18 Total benefit liability (in millions)	\$ 949.9	\$ 4,969.2	\$ 3,024.8	\$ 1,368.0	\$ 1,217.3	\$ 1,155.4	\$ 1,161.8
	19 Reimbursable benefit payments (in millions)	\$ 60.6	\$ 315.3	\$ 183.5	\$ 87.3	\$ 77.7	\$ 73.7	\$ 74.2
Trust fund	20 Beginning trust fund balance (in millions)	\$ 4,731.1	\$ 4,988.3	\$ 1,200.7	\$ 130.6	\$ 1,810.7	\$ 3,614.1	\$ 5,335.2
	21 Trust fund interest (in millions)	\$ 113.0	\$ 83.1	\$ 21.5	\$ 21.1	\$ 66.1	\$ 110.3	\$ 149.6
	11 Total tax contributions (in millions)	\$ 1,094.1	\$ 1,098.6	\$ 1,933.3	\$ 3,027.0	\$ 2,954.6	\$ 2,766.2	\$ 2,257.2
	22 Reimbursements from reimbursables (in millions)	\$ 60.6	\$ 315.3	\$ 183.5	\$ 87.3	\$ 77.7	\$ 73.7	\$ 74.2
	17 Total benefit payments (in millions)	\$ 1,010.6	\$ 5,284.5	\$ 3,208.3	\$ 1,455.3	\$ 1,295.0	\$ 1,229.1	\$ 1,236.0
	23 Ending trust fund balance (as of 12/31) (in millions)	\$ 4,988.3	\$ 1,200.7	\$ 130.6	\$ 1,810.7	\$ 3,614.1	\$ 5,335.2	\$ 6,580.2
	24 Months of benefits available (as of 9/30)	15.0	7.0	1.8	4.8	4.8	9.7	14.1

Source: Employment Security Department