

Unemployment Insurance Trust Fund Forecast

June 2020

Executive summary

This report published three times per year, provides the status and updated projections of the state's unemployment insurance trust fund for 2020 through 2025. The economic impact of the COVID-19 pandemic resulted in significant revisions to the June 2020 Unemployment Insurance (UI) trust fund projections.

As of June 12, 2020, the Washington state UI trust fund ending balance was \$3.13 billion, as compared to a trust fund balance of \$4.6 billion as of March 31, 2020. Unemployment benefit payments for calendar year 2019 totaled \$1.01 billion while revenues generated to fund the UI program in 2019 totaled \$1.09 billion. Based upon the June 2020 economic forecast released by the state's Economic and Revenue Forecast Council's (ERFC), it is projected that the UI trust balance will maintain solvency through the end of 2020 becoming insolvent during the first quarter of 2021. It is also projected that, as a result, Washington's trust fund will need to rely on a trust fund loan during the fourth quarter of 2020 to bolster their trust fund balances so that the payment of UI benefits is not interrupted. States may take out interest free loans through the end of the year from the federal government when it is projected that the balance in the state trust fund is not high enough to pay three months of benefits.

Contents

This report contains the following items:

- Employer contributions, benefit payments and projected trust fund balance through 2025;
- June 2020 forecast compared to the November 2019 forecast; and
- *Appendix 1*: Economic assumptions for the June 2020 forecast compared to the November 2019 forecast.

If you have any questions or concerns, please contact Steven Ross, Labor Market Information Director at 360-890-3736 or email: SRoss@esd.wa.gov.

Introduction

This report provides information on Washington state's employer contributions, benefits and unemployment 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, which are derived from the state's Economic and Revenue Forecast Council's (ERFC) June 2020 economic forecast.

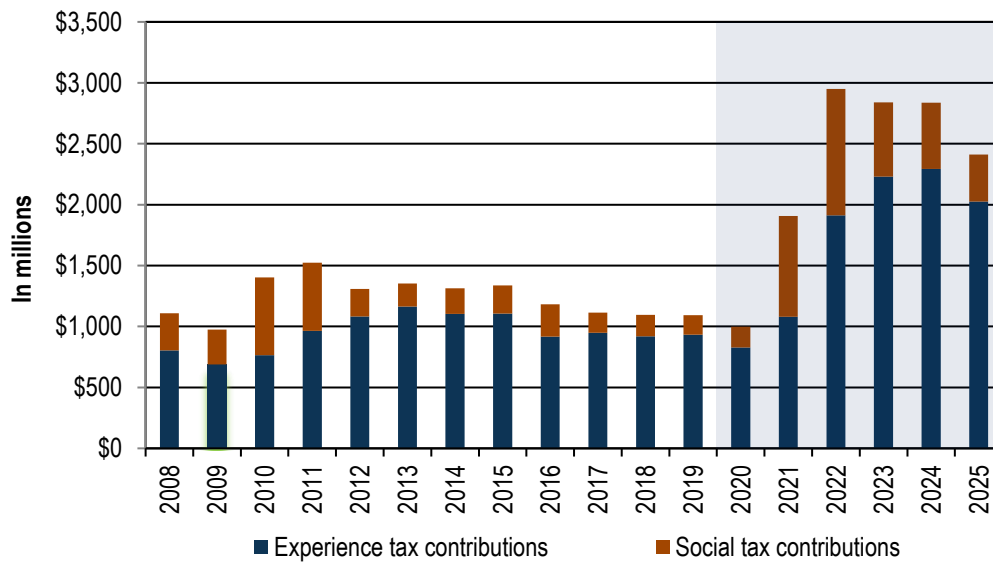
This forecast uses the June 2020 ERFC assumptions and actual unemployment insurance tax and benefit data through March 31, 2020. The economic assumptions used for the June 2020 forecast and the November 2019 forecast are provided in *Appendix 1*.

Employer contributions

Employer contributions were about \$1.09 billion in 2019 and are projected to be approximately \$998.7 million in 2020. This projection models increases in employer taxes starting in 2021 and, as projected, to remain at significantly elevated levels through 2025. The increase in employer contributions is anticipated due to the high volume of weeks compensated as employers laid off workers due to shutdowns or furloughed employees to cope with the COVID-19 directives. Note that employer experience tax rates for 2021 will be based upon benefits paid between July 1, 2016 and June 30, 2020, which includes four months of benefits paid since the onset of COVID-19-related layoffs. The social tax rate is projected to be at the maximum tax cap of 1.22 percent for 2021 and 2022.

Figure 1 shows projected annual employer experience tax and social tax contributions through the end of 2025.

Figure 1. Washington state unemployment insurance employer tax contributions
Washington state, 2008 through 2025
Source: Employment Security Department/LMEA/ETA 2112/UI Wage File



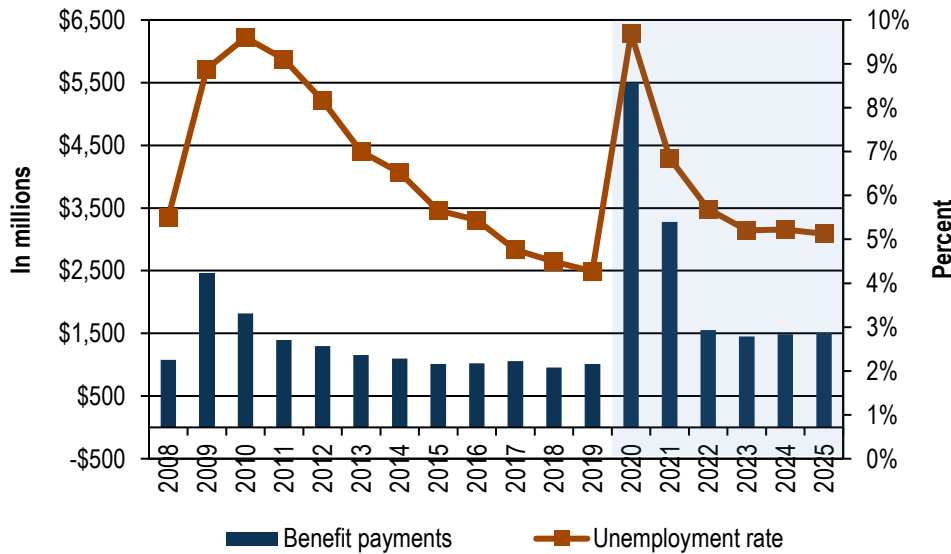
Note: 2020-2025 reflect projected data.

Employer tax contributions were \$1.09 billion in 2019 and are projected to be approximately \$998.7 million in 2020 and \$2.1 billion in 2021.

Unemployment benefit payments

Benefit payments from the unemployment trust fund were approximately \$1.01 billion in 2019 and are projected to be around \$5.4 billion in 2020. *Figure 2* shows annual projections of benefit payments from the trust fund and the projected state unemployment rate through 2025. Federally funded benefits such as Pandemic Unemployment Assistance (PUA), federal reimbursement for the waiting week, Pandemic Emergency Unemployment Compensation (PEUC) and Federal Pandemic Unemployment Compensation (FPUC) are excluded from *Figure 2*.

Figure 2. Benefit payments from state unemployment trust fund
Washington state, 2008 through 2025
Source: Employment Security Department/LMEA/ETA 2112/UI Wage File



Note: 2020-2025 reflect projected data.

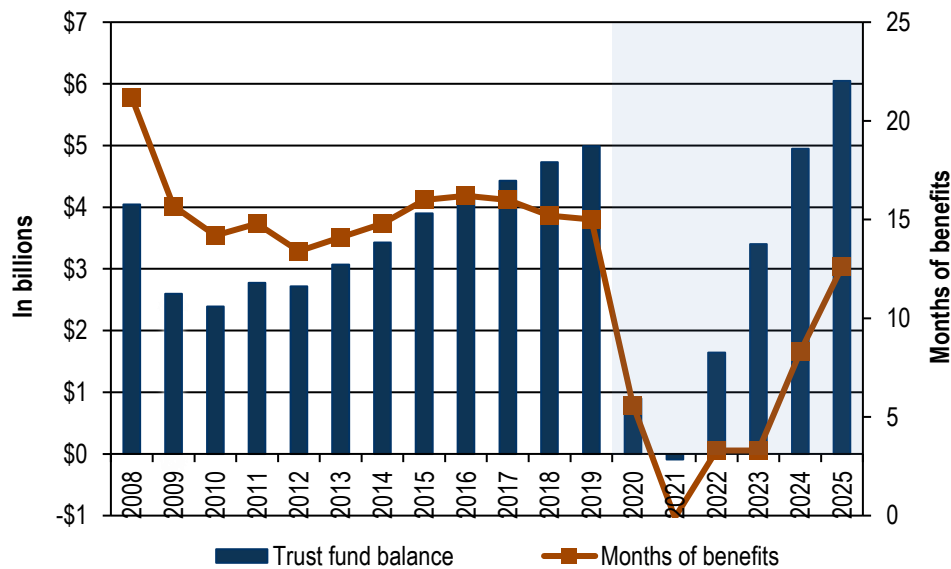
Benefit payments from the trust fund were approximately \$1.01 billion in 2019 and are projected to increase to \$5.4 billion in 2020.

Trust fund balance

As of June 12, 2020, Washington state had \$3.13 billion (approximately 10.0 months of benefits) in the unemployment trust fund.

Figure 3 below shows the annual projected year-end trust fund balance through 2025. 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, 2008 through 2025
Source: Employment Security Department/LMEA/ETA 2112/UI Wage File



Note: 2020-2025 reflect projected data.

The trust fund balance is projected to be insolvent by the first quarter of 2021.

Trust fund scenario: June 2020 forecast compared to November 2019

This scenario compares the June 2020 forecast (top) to the published November 2019 forecast (bottom).

Figure 4. Washington state trust fund forecast

Washington state, June 2020 and November 2019

Source: Employment Security Department/LMEA/ETA 2112/ETA 5159/UI Wage File

Unemployment insurance trust fund: June 2020 baseline forecast							
(based on actual through March 31, 2020; June 2020 Washington State Economic and Revenue Forecast Council assumptions)							
Taxes	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Average experience tax rate (percent)	0.93%	0.78%	0.97%	1.65%	1.88%	1.90%	1.64%
Experience tax contributions	\$933.7	\$826.7	\$1,080.7	\$1,912.3	\$2,230.0	\$2,293.0	\$2,024.9
Flat social tax rate (percent)	0.16%	0.25%	1.22%	1.22%	0.60%	0.60%	0.40%
Social tax contributions	\$160.4	\$172.0	\$827.1	\$1,037.3	\$609.6	\$544.5	\$386.5
Solvency tax rate (percent)	0.00%	0.00%	0.20%	0.20%	0.20%	0.00%	0.00%
Solvency tax contributions			\$193.8	\$232.1	\$237.3	\$33.4	
Total average tax rate (experience tax + social tax)	1.08%	0.94%	1.88%	2.74%	2.59%	2.38%	1.95%
Total tax contributions	\$1,094.1	\$998.7	\$2,101.6	\$3,181.8	\$3,076.8	\$2,870.9	\$2,411.4
Benefits							
Weeks compensated (in millions) - regular benefits	2.1	10.1	5.7	2.8	2.5	2.5	2.5
Average weekly benefit amount	\$477.84	\$525.22	\$553.51	\$563.66	\$577.06	\$590.77	\$609.41
Regular benefit payments	\$1,010.6	\$5,439.9	\$3,128.4	\$1,552.5	\$1,449.0	\$1,486.4	\$1,505.6
Total benefit liability	\$949.9	\$5,173.5	\$3,090.7	\$1,459.3	\$1,362.1	\$1,397.3	\$1,415.2
Reimbursable benefit payments	\$60.6	\$326.4	\$187.7	\$93.1	\$86.9	\$89.2	\$90.3
Total benefit payments	\$1,010.6	\$5,499.9	\$3,278.4	\$1,552.5	\$1,449.0	\$1,486.4	\$1,505.6
Trust fund							
Beginning trust fund balance	\$4,731.1	\$4,988.3	\$900.7	(\$88.0)	\$1,645.0	\$3,402.6	\$4,950.0
Trust fund interest	\$113.0	\$87.2	\$0.3	\$10.5	\$42.9	\$73.7	\$98.9
Total tax contributions	\$1,094.1	\$998.7	\$2,101.6	\$3,181.8	\$3,076.8	\$2,870.9	\$2,411.4
Reimbursements from reimbursables	\$60.6	\$326.4	\$187.7	\$93.1	\$86.9	\$89.2	\$90.3
Total benefit payments	\$1,010.6	\$5,499.9	\$3,278.4	\$1,552.5	\$1,449.0	\$1,486.4	\$1,505.6
Ending trust fund balance (as of 12/31)	\$4,988.3	\$900.7	(\$88.0)	\$1,645.0	\$3,402.6	\$4,950.0	\$6,045.1
Months of benefits available (as of 9/30)	15.0	5.6	-0.1	3.3	3.3	8.3	12.6
Unemployment insurance trust fund: November 2019 baseline forecast							
(based on actual through September 30th, 2019, November 2019 Washington State Economic and Revenue Forecast Council assumptions)							
Taxes	CY 2019	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
Average experience tax rate (percent)	0.89%	0.75%	0.75%	0.75%	0.75%	0.75%	0.86%
Experience tax contributions	\$886.9	\$778.8	\$796.2	\$815.1	\$836.7	\$862.2	\$1,024.7
Flat social tax rate (percent)	0.25%	0.25%	0.25%	0.35%	0.35%	0.35%	0.35%
Social tax contributions	\$160.3	\$170.2	\$174.0	\$239.9	\$256.4	\$264.2	\$277.0
Solvency tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency tax contributions	0	0	0	0	0	0	0
Total average tax rate (experience tax + social tax)	1.05%	0.91%	0.91%	0.97%	0.98%	0.98%	1.10%
Total tax contributions	\$1,047.2	\$949.1	\$970.2	\$1,055.0	\$1,093.1	\$1,126.4	\$1,301.7
Benefits							
Weeks compensated (in millions) - regular benefits	2.1	2.1	2.2	2.3	2.4	2.5	2.5
Average weekly benefit amount	\$479.79	\$504.94	\$522.02	\$539.45	\$561.97	\$578.12	\$580.98
Regular benefit payments	\$1,015.9	\$1,064.2	\$1,154.3	\$1,240.8	\$1,342.6	\$1,452.5	\$1,451.1
Total benefit liability	\$954.9	\$1,000.4	\$1,085.1	\$1,166.4	\$1,262.0	\$1,365.4	\$1,364.0
Reimbursable benefit payments	\$61.0	\$63.9	\$69.3	\$74.5	\$80.6	\$87.2	\$87.1
Total benefit payments	\$1,015.9	\$1,064.2	\$1,154.3	\$1,240.8	\$1,342.6	\$1,452.5	\$1,451.1
Trust fund							
Beginning trust fund balance	\$4,731.1	\$4,937.0	\$5,004.8	\$5,010.1	\$5,018.9	\$4,970.0	\$4,849.1
Trust fund interest	\$113.6	\$119.1	\$120.2	\$120.2	\$120.0	\$118.1	\$116.4
Total tax contributions	\$1,047.2	\$949.1	\$970.2	\$1,055.0	\$1,093.1	\$1,126.4	\$1,301.7
Reimbursements from reimbursables	\$61.0	\$63.9	\$69.3	\$74.5	\$80.6	\$87.2	\$87.1
Total benefit payments	\$1,015.9	\$1,064.2	\$1,154.3	\$1,240.8	\$1,342.6	\$1,452.5	\$1,451.1
Ending trust fund balance (as of 12/31)	\$4,937.0	\$5,004.8	\$5,010.1	\$5,018.9	\$4,970.0	\$4,849.1	\$4,903.2
Months of benefits available (as of 9/30)	15.2	15.1	14.9	14.6	14.6	14.1	13.4

Note: The total average tax rate cannot be reached by adding the average experience tax rate and the flat social tax rate due to social tax caps and other factors.

Appendix 1: Economic assumptions

The events since the last forecast, [November 2019 UI Trust fund forecast](#), have made significant impact toward the state's Economic and Revenue Forecast Council's outlook for the future. Overall, major revisions occurred to the June economic forecast assumptions used in the UI trust fund modeling are now reflective of Washington state being in a recession.

The Employment Security Department's unemployment trust fund projections are reviewed and adjusted three times a year. The adjustments are made by updating several variables in the trust fund model, which are derived from the Economic and Revenue Forecast Council's quarterly economic forecast, IHS Global Insight and updated unemployment insurance reciprocity rates, and by replacing forecasted data with the most current actual data. *Appendix figure A-1* shows the major economic inputs 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, June 2020 and November 2019

Source: Washington State Economic and Revenue Forecast Council/IHS Global Insight

Unemployment rate (percent of workforce)		
Year	Jun-20	Nov-19
2020	9.70%	4.53%
2021	6.85%	4.74%
2022	5.69%	4.92%
2023	5.21%	5.10%
2024	5.22%	4.54%
2025	5.13%	4.60%

Personal income (percent growth)		
Year	Jun-20	Nov-19
2020	-5.50%	3.90%
2021	4.90%	4.30%
2022	2.90%	4.70%
2023	1.10%	5.00%
2024	0.80%	4.04%
2025	0.80%	4.21%

Employment growth (percent growth)		
Year	Jun-20	Nov-19
2020	-5.50%	1.60%
2021	4.90%	1.10%
2022	2.90%	1.00%
2023	1.10%	0.80%
2024	0.80%	0.23%
2025	0.80%	0.34%

Consumer Price Index (percent growth)		
Year	Jun-20	Nov-19
2020	0.90%	2.10%
2021	1.30%	1.90%
2022	1.40%	2.20%
2023	1.50%	2.20%
2024	1.60%	2.26%
2025	1.80%	2.13%

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.