

Unemployment Insurance Trust Fund Forecast

November 2015

Executive summary

This report provides the status and updated projections of the state's unemployment insurance trust fund for 2014 through 2021.

Over the past 10 years, Washington's governor and legislature have worked together in a bipartisan manner to develop a stable unemployment insurance tax and benefit system to sustain the state through difficult economic times. Because of this, Washington's trust fund remained solvent while 36 other states exhausted their trust funds and were forced to secure loans from the federal government to maintain unemployment insurance benefits. And Washington's average unemployment tax rate dropped from 2nd-highest in the nation in 2007 to 20th-highest at the end of September 2015.

Contents

This report contains the following items:

- Employer contributions, benefit payments and projected trust fund balance through 2021;
- November 2015 forecast compared to the September 2015 forecast;
- Appendix 1: Economic assumptions for the November 2015 forecast compared to the September 2015 forecast; and
- Appendix 2: States with outstanding loans from the Federal Unemployment Account.

If you have any questions or concerns, please contact Cynthia L. Forland, Director, Labor Market and Performance Analysis at 360-407-4503 or at cforland@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 several times a year. 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) quarterly economic forecast, IHS Global Insight and updated unemployment insurance reciprocity rates, and by replacing forecasted data with the most current actual data.

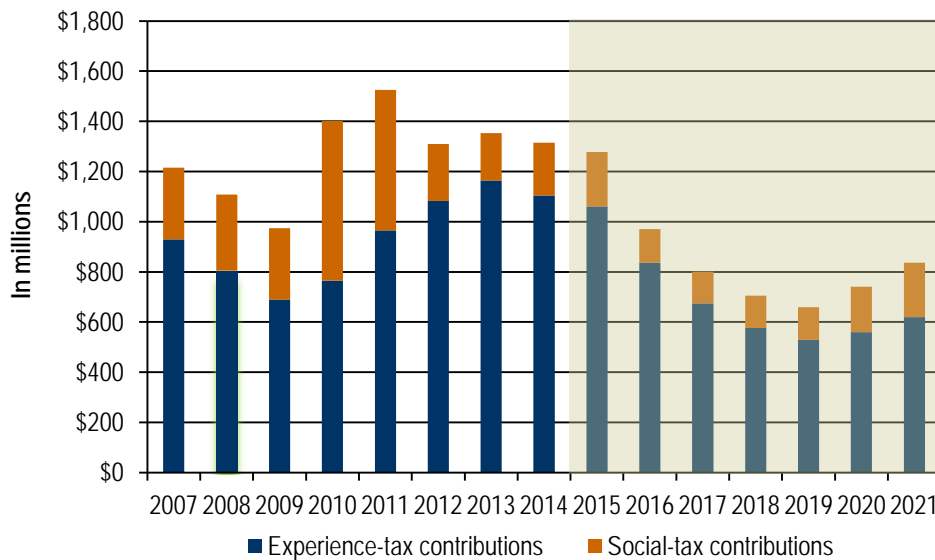
This forecast uses the November 2015 ERFC, November 2015 IHS Global Insight assumptions and actual unemployment insurance tax and benefit data through September 30, 2015. The economic assumptions used for this forecast and the September 2015 forecast are provided in *Appendix 1*.

Employer contributions

Employer contributions were about \$1.31 billion in 2014 and are projected to be approximately \$1.28 billion in 2015. Employer taxes are projected to decrease in 2016, continue declining through 2019 and then gradually increase through 2021. We are seeing this decrease as we get further from the recent recession because each year's experience-rated taxes are based on employers' benefit payments of the previous four years.

Figure 1 shows projected annual employer experience-rated and social-cost contributions through the end of 2021.

Figure 1. Washington state unemployment insurance employer contributions
Washington state, 2007 through 2021
Source: Employment Security Department/LMPA/ETA 2112/UI Wage File



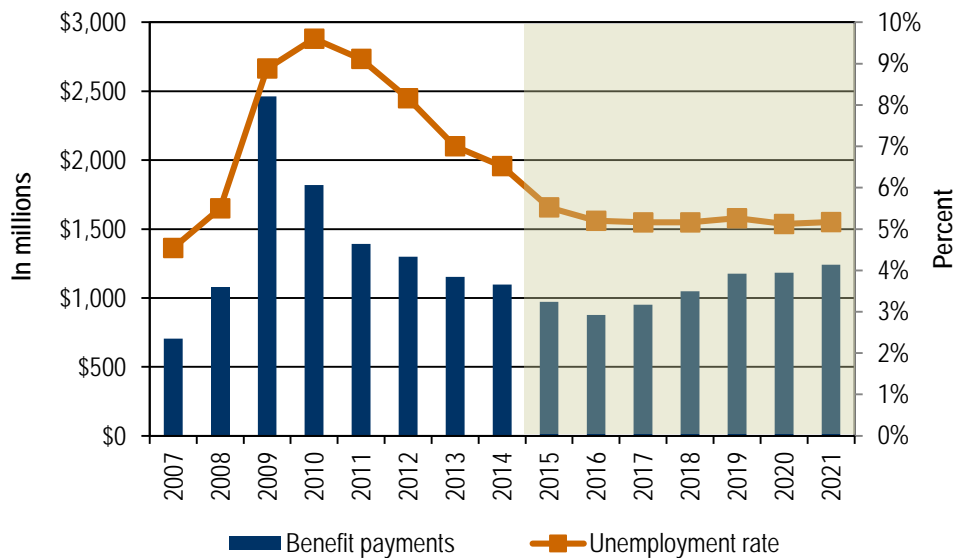
Note: Highlighted years reflect projected data.

Employer contributions were about \$1.31 billion in 2014 and are projected to be approximately \$1.28 billion in 2015.

Unemployment benefit payments

Benefit payments from the unemployment trust fund were approximately \$1.10 billion in 2014 and are projected to be approximately \$972 million in 2015. *Figure 2* shows annual projections of benefit payments from the trust fund and the projected state unemployment rate through 2021. Federally funded benefits such as emergency unemployment compensation (EUC) and extended benefits are excluded from *Figure 2*.

Figure 2. Benefit payments from state unemployment trust fund
Washington state, 2007 through 2021
Source: Employment Security Department/LMPA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

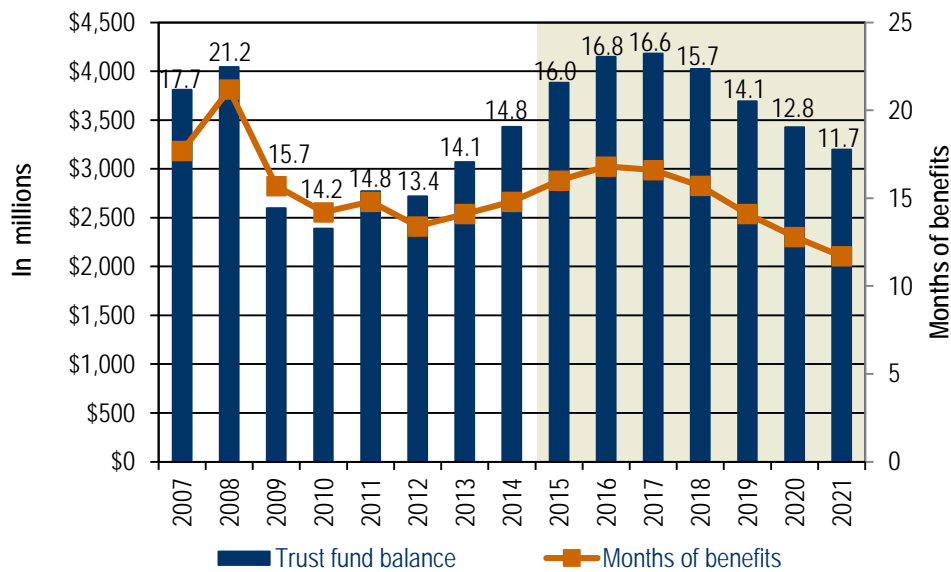
Benefit payments from the trust fund were approximately \$1.10 billion in 2014 and are projected to be approximately \$972 million in 2015.

Trust fund balance

As of November 30, 2015, Washington state had \$3.9 billion (approximately 16.5 months of benefits) in the unemployment trust fund.

Figure 3 below shows the annual projected year-end trust fund balance through 2021. The solid 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 a month of benefits; this is seen in Figure 3 below where 2018 is projected to have fewer months of benefits but a higher trust fund balance than 2015. 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, 2007 through 2021
Source: Employment Security Department/LMPA/ETA 2112/UI Wage File



Note: Highlighted years reflect projected data.

The trust fund balance was at 14.8 months of benefits in 2014 and is projected to reach a peak of 16.8 months of benefits by 2016.

Trust fund scenario: November 2015 forecast compared to September 2015

This scenario compares the November 2015 forecast (top) to the published September 2015 forecast (bottom).

Figure 4. Washington state trust fund forecast

Washington state, November 2015 and September 2015

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

Unemployment trust fund: Baseline forecast with 100 percent federally funded extended benefits through December 28, 2013 – November 2015 Baseline (based on actual data through September 30, 2015, and November 2015 Washington State Economic and Revenue Forecast Council and Global Insight assumptions)									
Taxes	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY 2020	CY 2021
Average experience-tax rate (percent)	1.71%	1.47%	1.30%	1.13%	0.89%	0.74%	0.65%	0.68%	0.73%
Experience-tax contributions (in millions)	\$1,164.6	\$1,103.9	\$1,061.5	\$835.9	\$674.0	\$576.4	\$528.6	\$559.7	\$619.0
Flat social-tax rate (percent)	0.30%	0.29%	0.35%	0.25%	0.25%	0.25%	0.25%	0.35%	0.40%
Social-tax contributions (in millions)	\$188.6	\$210.6	\$216.1	\$134.2	\$126.8	\$128.2	\$130.7	\$181.0	\$217.7
Solvency-tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency-tax contributions	0	0	0	0	0	0	0	0	0
Total average tax rate (experience tax + social tax)	1.98%	1.75%	1.56%	1.31%	1.05%	0.90%	0.82%	0.89%	0.99%
Total tax contributions (in millions)	\$1,353.2	\$1,314.5	\$1,277.5	\$970.1	\$800.8	\$704.6	\$659.3	\$740.8	\$836.8
Benefits									
Weeks compensated (in millions) - regular benefits	3.2	2.8	2.3	2.0	2.2	2.3	2.5	2.4	2.4
Average weekly benefit amount	\$386.91	\$397.51	\$419.55	\$431.31	\$442.09	\$459.26	\$476.68	\$492.80	\$511.95
Regular benefit payments (in millions)	\$1,152.8	\$1,096.6	\$972.3	\$876.9	\$950.7	\$1,049.2	\$1,176.5	\$1,182.2	\$1,240.8
Total benefit liability (in millions)	\$1,072.4	\$1,030.8	\$913.9	\$824.3	\$893.7	\$986.3	\$1,105.9	\$1,111.3	\$1,166.3
Reimbursable benefit payments (in millions)	\$80.3	\$65.8	\$58.3	\$52.6	\$57.0	\$63.0	\$70.6	\$70.9	\$74.4
Total benefit payments (in millions)	\$1,152.8	\$1,096.6	\$972.3	\$876.9	\$950.7	\$1,049.2	\$1,176.5	\$1,182.2	\$1,240.8
Trust fund									
Beginning trust fund balance (in millions)	\$2,718.3	\$3,069.9	\$3,430.1	\$3,884.3	\$4,149.2	\$4,180.8	\$4,022.3	\$3,692.1	\$3,428.6
Trust fund interest (in millions)	\$70.9	\$76.4	\$90.6	\$119.1	\$124.4	\$123.2	\$116.4	\$107.0	\$99.5
Total tax contributions (in millions)	\$1,353.2	\$1,314.5	\$1,277.5	\$970.1	\$800.8	\$704.6	\$659.3	\$740.8	\$836.8
Reimbursements from reimbursables (in millions)	\$80.3	\$65.8	\$58.3	\$52.6	\$57.0	\$63.0	\$70.6	\$70.9	\$74.4
Total benefit payments (in millions)	\$1,152.8	\$1,096.6	\$972.3	\$876.9	\$950.7	\$1,049.2	\$1,176.5	\$1,182.2	\$1,240.8
Ending trust fund balance, as of 12/31 (in millions)	\$3,069.9	\$3,430.1	\$3,884.3	\$4,149.2	\$4,180.8	\$4,022.3	\$3,692.1	\$3,428.6	\$3,198.5
Months of benefits available, as of 9/30	14.1	14.8	16.0	16.8	16.6	15.7	14.1	12.8	11.7
Unemployment trust fund: Baseline forecast with 100 percent federally funded extended benefits through December 28, 2013 September 2015 Baseline (based on actual data through June 30, 2015, and September 2015 Washington State Economic and Revenue Forecast Council and Global Insight assumptions)									
Taxes	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019	CY	CY
Average experience-tax rate (percent)	1.71%	1.47%	1.32%	1.13%	0.92%	0.78%	0.71%	0.73%	0.75%
Experience-tax contributions (in millions)	\$1,164.6	\$1,103.9	\$1,013.7	\$832.6	\$701.6	\$613.0	\$570.4	\$605.2	\$639.5
Flat social-tax rate (percent)	0.30%	0.29%	0.35%	0.25%	0.25%	0.25%	0.25%	0.35%	0.40%
Social-tax contributions (in millions)	\$188.6	\$210.6	\$197.2	\$133.7	\$127.3	\$129.1	\$131.8	\$183.1	\$220.0
Solvency-tax rate (percent)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Solvency-tax contributions	0	0	0	0	0	0	0	0	0
Total average tax rate (experience tax + social tax)	1.98%	1.75%	1.58%	1.31%	1.09%	0.95%	0.87%	0.95%	1.01%
Total tax contributions (in millions)	\$1,353.2	\$1,314.5	\$1,210.9	\$966.2	\$828.9	\$742.1	\$702.2	\$788.3	\$859.5
Benefits									
Weeks compensated (in millions) - regular benefits	3.2	2.8	2.3	2.0	2.2	2.3	2.5	2.5	2.5
Average weekly benefit amount	\$386.91	\$397.51	\$418.36	\$429.20	\$442.16	\$458.84	\$477.16	\$495.92	\$515.08
Regular benefit payments (in millions)	\$1,152.8	\$1,096.6	\$970.5	\$876.2	\$970.4	\$1,063.3	\$1,172.9	\$1,227.3	\$1,271.8
Total benefit liability (in millions)	\$1,072.4	\$1,030.8	\$912.3	\$823.6	\$912.2	\$999.5	\$1,102.6	\$1,153.7	\$1,195.5
Reimbursable benefit payments (in millions)	\$80.3	\$65.8	\$58.2	\$52.6	\$58.2	\$63.8	\$70.4	\$73.6	\$76.3
Total benefit payments (in millions)	\$1,152.8	\$1,096.6	\$970.5	\$876.2	\$970.4	\$1,063.3	\$1,172.9	\$1,227.3	\$1,271.8
Trust									
Beginning trust fund balance (in millions)	\$2,718.3	\$3,069.9	\$3,430.1	\$3,825.1	\$4,085.9	\$4,125.9	\$3,991.1	\$3,707.5	\$3,450.4
Trust fund interest (in millions)	\$70.9	\$76.4	\$96.4	\$118.1	\$123.3	\$122.5	\$116.8	\$108.3	\$100.9
Total tax contributions (in millions)	\$1,353.2	\$1,314.5	\$1,210.9	\$966.2	\$828.9	\$742.1	\$702.2	\$788.3	\$859.5
Reimbursements from reimbursables (in millions)	\$80.3	\$65.8	\$58.2	\$52.6	\$58.2	\$63.8	\$70.4	\$73.6	\$76.3
Total benefit payments (in millions)	\$1,152.8	\$1,096.6	\$970.5	\$876.2	\$970.4	\$1,063.3	\$1,172.9	\$1,227.3	\$1,271.8
Ending trust fund balance, as of 12/31 (in millions)	\$3,069.9	\$3,430.1	\$3,825.1	\$4,085.9	\$4,125.9	\$3,991.1	\$3,707.5	\$3,450.4	\$3,215.4
Months of benefits available, as of 9/30	14.1	14.8	15.9	16.6	16.5	15.6	14.2	12.8	11.7

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 have made little impact toward the state's Economic and Revenue Forecast Council's outlook for the future. Overall, revisions to the current economic forecast remain relatively unchanged.

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 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. *Figure A-1* shows the major economic inputs used in the trust fund model with a comparison to the prior forecast.

Appendix figure A1-1. Washington state economic and revenue projections Washington state, November 2015 and September 2015

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

Unemployment rate (percent of workforce)		
Year	Nov-15	Sep-15
2013	7.00%	7.00%
2014	6.52%	6.52%
2015	5.52%	5.52%
2016	5.20%	5.22%
2017	5.16%	5.26%
2018	5.16%	5.23%
2019	5.26%	5.24%
2020	5.12%	5.27%
2021	5.17%	5.26%

Personal income (percent growth)		
Year	Nov-15	Sep-15
2013	3.20%	3.20%
2014	3.40%	3.40%
2015	5.40%	5.10%
2016	4.80%	5.00%
2017	5.30%	5.40%
2018	5.50%	5.50%
2019	5.10%	5.20%
2020	5.05%	5.06%
2021	4.76%	4.86%

Employment growth (percent growth)		
Year	Nov-15	Sep-15
2013	2.40%	2.40%
2014	2.50%	2.50%
2015	2.80%	3.00%
2016	1.80%	1.80%
2017	1.50%	1.60%
2018	1.50%	1.40%
2019	1.30%	1.10%
2020	1.11%	0.88%
2021	0.70%	0.78%

Consumer Price Index (percent growth)		
Year	Nov-15	Sep-15
2013	1.60%	1.50%
2014	0.10%	1.60%
2015	1.50%	0.20%
2016	2.40%	1.70%
2017	2.20%	2.10%
2018	2.00%	2.10%
2019	2.48%	2.00%
2020	2.62%	2.19%
2021	2.73%	2.37%

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 smoothes 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.

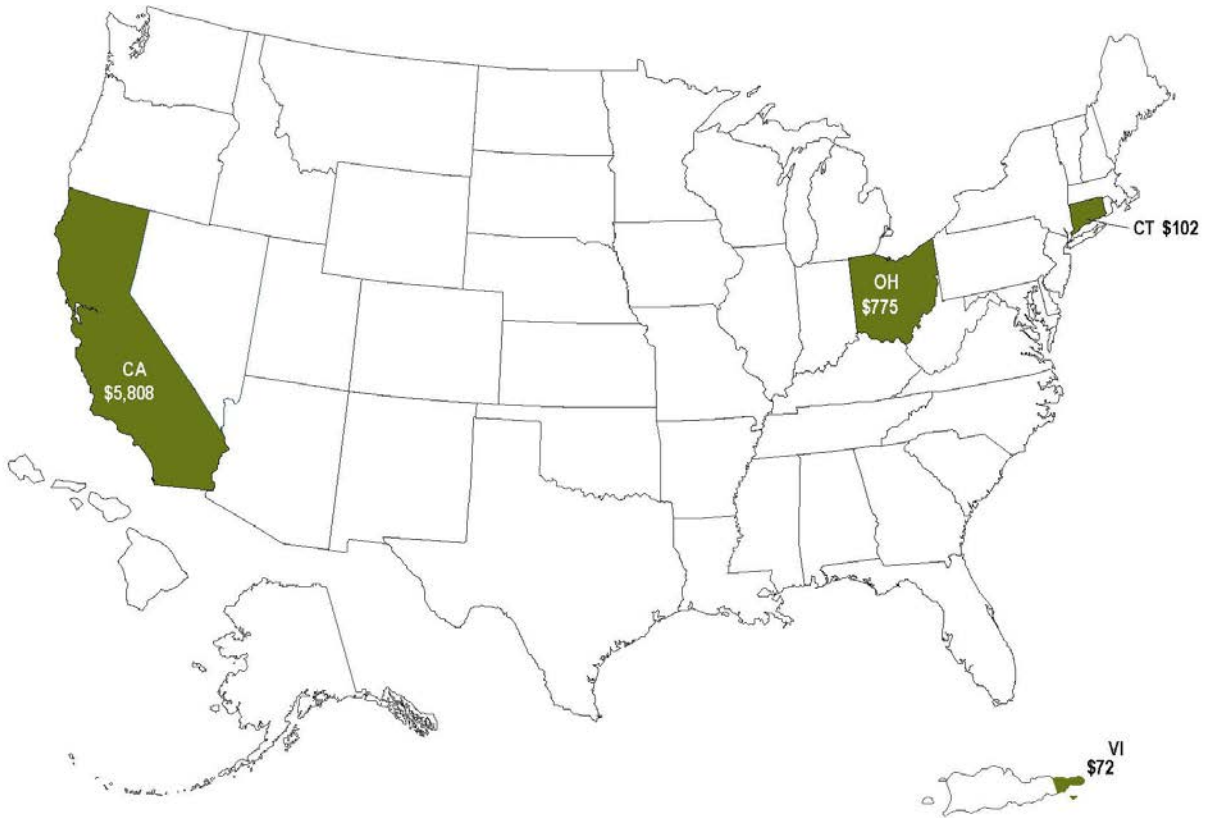
Appendix 2: States with outstanding loans from the Federal Unemployment Account

A total of 36 states/territories have exhausted their trust funds and secured loans from the Federal Unemployment Account during this recession. At their peak, those loans exceeded \$47 billion. Currently, three of these states and one territory continue to have outstanding federal loans. The amount recently borrowed or repaid is listed under “Change since” in the table below.

Appendix figure A2-1. Outstanding loans from the Federal Unemployment Account
United States, November 6, 2015
Source: U.S. Department of Labor/Employment and Training Administration

State	Outstanding loan balance as of November 6, 2015	Month and year state initially borrowed	Change since September 8, 2015
Alabama	\$0	September 2009	\$0
Arizona	\$0	March 2010	\$0
Arkansas	\$0	March 2009	\$0
California	\$5,807,813,765	January 2009	\$135,576,701
Colorado	\$0	January 2010	\$0
Connecticut	\$101,716,619	October 2009	(\$382,023)
Delaware	\$0	March 2010	\$0
Florida	\$0	August 2009	\$0
Georgia	\$0	December 2009	\$0
Hawaii	\$0	October 2010	\$0
Idaho	\$0	June 2009	\$0
Illinois	\$0	July 2009	\$0
Indiana	\$0	December 2008	(\$228,638,577)
Kansas	\$0	March 2010	\$0
Kentucky	\$0	January 2009	\$0
Maryland	\$0	February 2010	\$0
Massachusetts	\$0	February 2010	\$0
Michigan	\$0	September 2006	\$0
Minnesota	\$0	July 2009	\$0
Missouri	\$0	February 2009	\$0
Nevada	\$0	October 2009	\$0
New Hampshire	\$0	March 2010	\$0
New Jersey	\$0	March 2009	\$0
New York	\$0	January 2009	\$0
North Carolina	\$0	February 2009	\$0
Ohio	\$774,834,855	January 2009	(\$100,000,161)
Pennsylvania	\$0	March 2009	\$0
Rhode Island	\$0	March 2009	\$0
South Carolina	\$0	December 2008	\$0
South Dakota	\$0	October 2009	\$0
Tennessee	\$0	April 2010	\$0
Texas	\$0	July 2009	\$0
Vermont	\$0	March 2010	\$0
Virgin Islands	\$72,190,452	August 2009	(\$13,971)
Virginia	\$0	October 2009	\$0
Wisconsin	\$0	February 2009	\$0
Total	\$6,756,555,692		(\$193,458,032)

Appendix figure A2-2. Outstanding loans from the Federal Unemployment Account, in millions
United States, November 6, 2015
Source: U.S. Department of Labor/Employment and Training Administration



This map shows the contiguous United States and insets of Hawaii, Virgin Islands and Puerto Rico.