



Unemployment Insurance Advisory Committee

Meeting details

Date: Friday, December 18, 2020

Time: 9:00 a.m. to 11:00 a.m.

Location: Zoom

Committee members present

- Robert Battles
- Julia Gorton
- Tammie Hetrick
- Sybill Hyppolite
- Cindy Richardson
- Kevin Perkey
- Josh Swanson
- Jerry VanderWood

Committee members absent

Brenda Wiest

ESD staff

- Joy Adams
- Sara Crosby
- Nick Demerice
- Stasha Espinosa
- Wendy Goldmark
- Suzi LeVine
- Scott Michael
- Jeff Robinson
- Dan Zeitlin

Summary

Meeting Recorded

This meeting was recorded and is available at <https://esd.wa.gov/newsroom/UIAC/recordings>.

This meeting was also livestreamed by TVW and the broadcast can be found at <https://www.tvw.org/watch/?clientID=9375922947&eventID=2020121118>

Welcome and Opening Remarks

Employment Security Department (ESD) Policy Director, Dan Zeitlin, welcomed everyone and asked Wendy Goldmark to take roll call. All committee members were present, except Brenda Wiest.

Agenda

Dan Zeitlin reviewed the meeting agenda and asked if anyone had any questions. (See Addendum I.)

Meeting Minutes

Dan Zeitlin requested that everyone review the meeting minutes for December 9, 2020 and provide their feedback. Julia Gorton made a motion to approve the minutes for December 9 and Tammie Hetrick seconded the motion. Dan asked for all members in favor to say, “Aye”. All members responded, “Aye”. Dan asked members that disapprove to say, “Nay”. No one responded. The December 9, 2020 meeting minutes were approved.

UI Policy Discussion

Dan Zeitlin opened the meeting discussion with a [slide presentation](#) starting with the main topics to be discussed below:

- Federal Program Update
- Governor’s UI Proposal
- Next Steps

Dan Zeitlin then handed the presentation over to Suzi Levine, Commissioner, ESD, who addressed the committee members:

“This group started in the beginning of August to really come to provide key guidance and to hear out what was happening, what the options were to address the needs of workers and employers. I just wanted to take a moment to reflect and thank you all for this very culminating moment today to look at what is going to be shared in this deck and a lot of what is in this deck has been informed by what has come out of this committee. I want to thank all of you for your incredibly precious time. This amount of time every other week and more recently, in a more frequent fashion, is profound and demonstrates your caring, your compassion, your thoughtfulness, your expertise and we appreciate you bringing all of those here and I also want to recognize all of the staff who have helped stand this up so quickly and take action so quickly. From your recommendations and your thoughts and at the end, if it’s possible to gather your feedback so that we can look at how do we utilize best practices, what’s working well and where there are areas for improvement. I would really appreciate that as an embracer of feedback, we would love to be able to continue this and to continue to get better. So, I just wanted to take a moment, especially while we still have you all here, and on this crescendo of a day with regards to the work that has come out of this. It is not just output; it is outcome that we are seeking. Thank you very much for the opportunity to share that with you all.”

Dan Zeitlin thanked Suzi for her words and continued with the presentation:

FEDERAL PROGRAM UPDATE¹

Federal Program Extensions

Bipartisan Framework for Potential Deal

- **Pandemic Unemployment Assistance (PUA):** Extended through April 19, 2021; weeks available increased from 39 to 55.
- **Pandemic Emergency Unemployment Compensation (PEUC):** Extended through April 19, 2021; weeks available increased from 13 to 29.
- **Federal Pandemic Unemployment Compensation (FPUC):** Reinstated at \$300/week from December 26, 2020 -April 19, 2021.

WA Benefits: Federal Programs

Bipartisan Framework for Potential Deal

- **PUA:** In November, ESD paid roughly 473,000 weekly claims (106,000 individuals). Over \$1.3 billion in payments since program inception.
- **PEUC:** In November, ESD paid roughly 382,000 weekly claims (105,000 individuals). Nearly \$630 million in payments since program inception.
- **Federal Pandemic Unemployment Compensation (FPUC):** In November, had a \$300 weekly payment been in place, ESD would have paid over \$450 million in benefits. ESD paid out over \$5.8 billion in FPUC benefits when authorized at \$600 a week.

Federal Provision Extensions

Bipartisan Framework for Potential Deal

- **Extended Benefits (EB):** Federal financing extended through April 19, 2021.
- **Waiting Week:** Federal financing extended through April 19, 2021; state proclamation expires December 21, 2020.
- **Shared Work:** Federal financing of benefits extended through April 19, 2021; state proclamation expires December 21, 2020.
- **Reimbursable Employers:** Federal financing of 50% of benefits paid to employees of reimbursable employers extended through April 19, 2021.
- **Trust Fund Loan Interest:** Interest free federal loans for states that must borrow to maintain UI trust fund solvency extended through April 19, 2021.

WA Benefits: Federal Provisions

Bipartisan Framework for Potential Deal

- **Extended Benefits (EB):** In November, the federal government financed roughly \$26.76 million in payments covering approximately 75,000 weekly claims (23,000 individuals).

¹ The final version of the Continued Assistance for Unemployed Workers Act of 2020 contained provisions similar to these, however there were notable differences in the length of program extensions.

- **Waiting Week:** In November, the federal government financed roughly \$236 million in waiting week benefits. In total, the federal government has paid out over \$1.5 billion in waiting week benefits since the beginning of the crisis.
- **Shared Work:** The federal government has financed roughly \$27.5 million in Shared Work benefits since the beginning of the crisis.
- **Reimbursable Employers:** Reimbursable employers have saved an estimated \$80 million with 50% reimbursement of benefits paid to their employees.

GOVERNOR’S UI PROPOSAL

Governor’s UI Proposal Overview

- Provides Tax Relief
- Increases Minimum Weekly Benefit Amount
- Enhances Voluntary Contributions Program
- Supports Unemployment Benefits for High-Risk Individuals
- Allows Public Health Emergency Benefit Charge Relief
- Accommodates Waiting Week & Shared Work Federal Financing
- Eliminates Lump Sum Retirement Benefit Deductions
- Technical Corrections

Overall Tax Relief

- The proposal is projected to prevent over \$790 million in employer tax increases in 2021 and approximately \$1.9 billion in tax increases over the 2021-2025 time period.
- The 2020 average unemployment tax rate is 1.03% of taxable wages, a tax rate that is projected to increase to 1.88% in 2021. Under the legislation, the average 2021 unemployment tax rate is projected to be 1.17%, a 38% a tax reduction.

Experience Tax Relief

- Provides over \$750 million in relief of benefit charges for all employers for benefits paid to employees from March 22 through May 2, 2020 during the “Stay Home, Stay Healthy” order.
- Expands beginning in 2022 the period for calculating employer experience rate taxes from 4 years to 5 years, lowering the projected average experience rate tax by .13-.18% of taxable wages from 2022-2024.

Social and Solvency Tax Relief

- Under current law, the flat social tax will be 1.22% of taxable wages in 2021 and is projected to remain at 1.22% in 2022.
- The proposal reduces the flat social tax to .50% in 2021 and .75% in 2022 before gradually increasing it annually until it reaches .90% in 2025.
- The proposal suspends the solvency tax through 2025.
- 2021 Social Tax by Rate Class (See Addendum II.)
- Estimated Average UI Tax Savings by Employer Size (See Addendum III.)
- Estimated Average UI Tax Per Employee (See Addendum IV.)

Weekly Benefit Amount

- Increases the weekly minimum benefit amount from 15% of the average weekly wage to 20% of the average weekly wage beginning July 1, 2021.
- Accordingly, the minimum benefit amount is projected to increase from \$201 to \$270 in July 2021.
- Washington will maintain the highest weekly minimum weekly benefit amount in the nation.

Trust Fund Solvency

- Proposed tax measures are projected to necessitate that the state take out federal loans of roughly \$418 million in 2021 with those loans paid back by November 2023 and therefore not triggering an increase in employers' federal unemployment taxes.
- Per [RCW 50.16.070](#), ESD can charge a separate tax of up to .15% on employers for any quarter in which there will be an interest-accruing federal loan at the end of the quarter.
- The UI trust fund balance is projected to be roughly \$700 million at the end of 2023, \$1.6 billion at the end of 2024 and \$2.8 billion at the end of 2025.
- UI Trust Fund Projections (See Addendum V.)
- Projected Trust Fund Balances (See Addendum VI.)

Voluntary Contributions Program (VCP)

- The VCP allows employers to reimburse the UI trust fund for benefits paid up front, in exchange for subtracting those benefit charges from the employer's account, which reduces the employer's experience tax rate.
- The proposal provides further incentives for businesses to use the program by:
 1. Removing the 10% surcharge;
 2. Opening the program up to employers that have moved 8, rather than 12, rate classes;
 3. Allowing employers to buy down enough benefit charges to move down 2, rather than 4, rate classes; and
 4. Extending the deadline to apply from February 15 to March 31.

UI for High-Risk Individuals

- Allows high-risk individuals, or those who live with high-risk individuals, to voluntarily quit their job with good cause if they cannot work from home for that employer but are otherwise able and available to work from home for other employers. Benefits will not be charged to the individual's separating employer.
- Makes it so high-risk individuals, and those who live with high-risk individuals, are considered available for work if they can work from home.
- Requires the Department, when deciding whether work is "suitable" for claimants, to account for any potential health risks to high-risk individuals living with the claimants.

Public Health Emergency Benefit Charge Relief

- Amends state law so employers that must close or severely curtail operations are relieved of benefit charges when the resulting layoffs are directly attributable to the presence of any dangerous, contagious, or infectious disease that is the subject of a public health emergency at the employer's plant, building, worksite or other facility.

Waiting Week and Shared Work

Emergency Waiting Week Waiver

- Amends state law to waive the waiting week and to not charge those benefits to employers when they are fully financed by the federal government. This change will allow claimants to receive unemployment benefits sooner and provide employers one less week of benefit charges during economic crises.

Shared Work Charging

- Amends state law so that Shared Work benefits are not charged to employers when they are fully financed by the federal government.

Lump Sum Retirement Benefit Deductions

- Amends state law so that lump sum retirement payments are no longer required to be prorated over the life expectancy of an unemployment claim with that prorated amount deducted from weekly benefits.
- The requirement set over 3,300 issues on claims requiring over 5,000 hours of work in 2020 holding up payment and slowing adjudication on unemployment claims.
- A Governor Emergency Proclamation temporarily freezing the statute will provide immediate relief and permanently eliminating the requirement will prevent the issue from slowing down payments for claimants in the future.

Technical Corrections

Shared Work

- Amends state statute so that employers are required to have at least two employees enrolled in the Shared Work program to participate (state statute currently requires one) and makes clear that employees in the Shared Work program can participate in approved training. The U.S. Department of Labor (USDOL) identified conformity issues with the current state statute.

Trade Adjustment Assistance

- Makes minor technical corrections to state statute related to TAA training to reflect new federal rules recently finalized by USDOL.

NEXT STEPS

2021 Key Dates

- December 18, 2020: 2021 tax rate notices sent.
 - Employer Tax Bulletin (See Addendum VII.)
 - Example Tax Notice (See Addendum VIII.)
- April 30, 2021: First quarter 2021 taxes due.

- Subsequent 2021 quarterly taxes are due July 31, 2021, October 31, 2021 and January 31, 2022.
- January 11, 2021: State legislative session begins.

Legislative Session

- It will be critical that the legislature pass the Governor's proposal early in the session so that ESD can quickly operationalize and provide employers with revised 2021 tax notices reflecting tax relief.
- Next UIAC Meeting (1/6): Vote on the Governor's proposal and Work Search recommendation.

Action Items

- The committee requested that the language be tightened around high-risk individuals, i.e. opioid, obesity, refuse vaccination, etc.

Next Agenda Discussion

- The next agenda discussion will be a vote on the Governor's proposal and Work Search recommendation.

Public Comments

None

Adjourned

Dan Zeitlin thanked everyone for their continued active participation and for their commitment to this work, then ended the meeting at 11:38 a.m.

Next meeting

The next Unemployment Insurance Advisory Committee meeting is on Wednesday, January 6, 2021 from 10:00 a.m. to 12:00 p.m. via Zoom.

Addendum I**Agenda**Unemployment Insurance Advisory Committee (UIAC)

Friday, December 18, 2020 | 9: 00 am – 11:00 am | Via Zoom

Agenda Items

| Time | Topic |
|-------------|---|
| 9:00 am | Welcome from Dan Zeitlin, Director of Policy, Data, Performance & Integrity (PDPI) Division, Employment Security Department (ESD) <ul style="list-style-type: none">• Agenda Review |
| 9:05 am | Approval of December 9, 2020 Meeting Minutes |
| 9:10 am | UI Program Update <ul style="list-style-type: none">• Dan Zeitlin, Director, ESD |
| 9:30 am | UI Policy Discussion <ul style="list-style-type: none">• Dan Zeitlin, Director, ESD• Joy Adams, UI Quality Assurance Manager, ESD• Scott Michael, Legal Appeals and Rulemaking Manager, ESD• Jeff Robinson, UI Research and Forecasting Manager, ESD |
| 10:40 am | Next Agenda Discussion <ul style="list-style-type: none">• Dan Zeitlin, Director, ESD |
| 10:50 am | Public Comments |
| 11:00 am | Adjourn |

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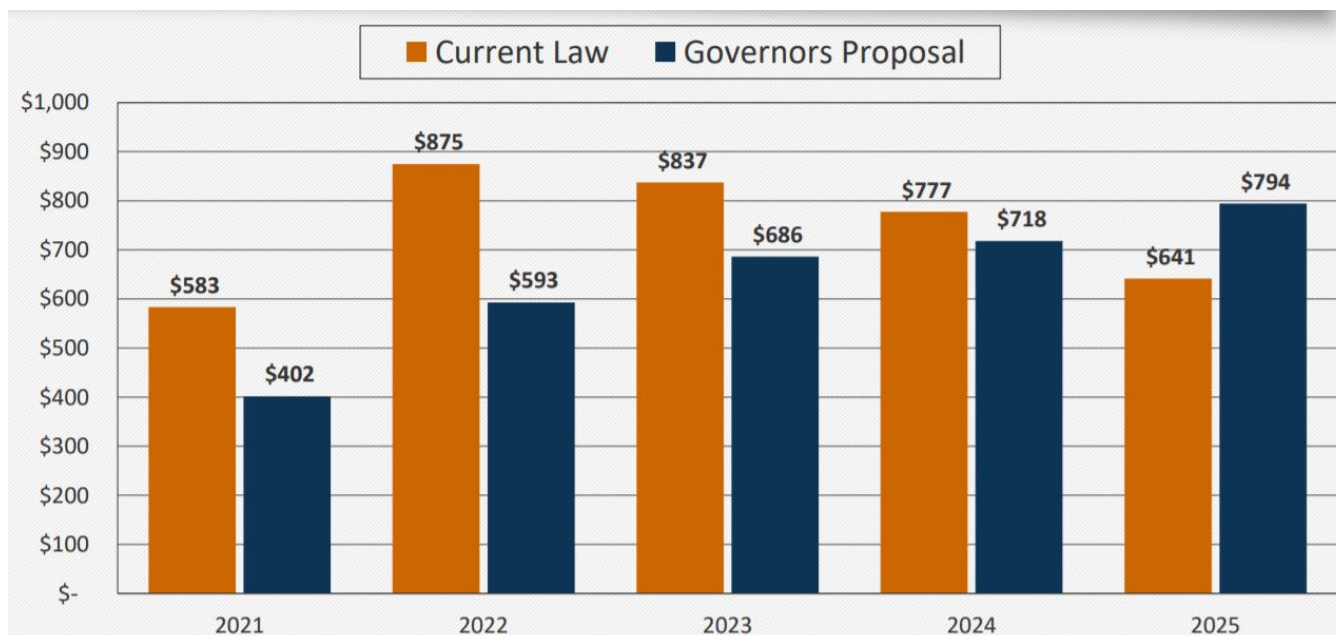
Addendum II
2021 Social Tax by Rate Class

| Rate class | Graduation factor | Flat social cost factor - 2021-Current Law | Graduated Social cost Factor- 2021-Current Law | Flat social cost factor - 2021-Governors Proposal | Graduated Social cost Factor-2021-Governors Proposal | % reduction - Governors proposal vesus current law |
|------------|-------------------|--|--|---|--|--|
| 1 | 40% | 1.22% | 0.49% | 0.50% | 0.20% | -0.29% |
| 2 | 44% | 1.22% | 0.54% | 0.50% | 0.22% | -0.32% |
| 3 | 48% | 1.22% | 0.59% | 0.50% | 0.24% | -0.35% |
| 4 | 52% | 1.22% | 0.63% | 0.50% | 0.26% | -0.37% |
| 5 | 56% | 1.22% | 0.68% | 0.50% | 0.28% | -0.40% |
| 6 | 60% | 1.22% | 0.73% | 0.50% | 0.30% | -0.43% |
| 7 | 64% | 1.22% | 0.78% | 0.50% | 0.32% | -0.46% |
| 8 | 68% | 1.22% | 0.83% | 0.50% | 0.34% | -0.49% |
| 9 | 72% | 1.22% | 0.88% | 0.50% | 0.36% | -0.52% |
| 10 | 76% | 1.22% | 0.93% | 0.50% | 0.38% | -0.55% |
| 21-40 | 120% | 1.22% | 1.46% | 0.50% | 0.60% | -0.86% |

Addendum III
Estimated Average UI Tax Savings by Employer Size

| Size of employer (covered employment) | Taxable Wages (FY17-FY20) | Benefit Charges (FY 17-20) | Benefit Charge relief | Benefit Ratio | Benefit Ratio- with COVID-relief | Current Law Taxes - 2021 | Gov's Proposal Taxes-2021 | Tax Savings |
|---------------------------------------|---------------------------|----------------------------|-----------------------|---------------|----------------------------------|--------------------------|---------------------------|-------------|
| 5 | \$ 1,000,000 | \$ 10,000 | \$ 1,000 | 0.01000 | 0.00900 | \$ 5,343 | \$ 3,100 | \$ 2,243 |
| 10 | \$ 2,000,000 | \$ 20,000 | \$ 2,000 | 0.01000 | 0.00900 | \$ 10,686 | \$ 6,200 | \$ 4,486 |
| 50 | \$ 10,000,000 | \$ 100,000 | \$ 10,000 | 0.01000 | 0.00900 | \$ 48,960 | \$ 31,000 | \$ 17,960 |
| 100 | \$ 20,000,000 | \$ 200,000 | \$ 20,000 | 0.01000 | 0.00900 | \$ 106,860 | \$ 62,000 | \$ 44,860 |
| 250 | \$ 50,000,000 | \$ 500,000 | \$ 50,000 | 0.01000 | 0.00900 | \$ 267,150 | \$ 155,000 | \$ 112,150 |
| 500 | \$ 100,000,000 | \$ 1,000,000 | \$ 100,000 | 0.01000 | 0.00900 | \$ 534,300 | \$ 310,000 | \$ 224,300 |
| 1,000 | \$ 200,000,000 | \$ 2,000,000 | \$ 2,000,000 | 0.10000 | 0.09000 | \$ 979,200 | \$ 620,000 | \$ 359,200 |

**Addendum IV
Estimated Average UI Tax Per Employee**



**Addendum V
UI Trust Fund Projections**

| (in millions) | November Baseline Prediction | Social Tax of 0.50%-2021, Social tax of .75%-2022, Social tax of .80%-2023, Social Tax of .85%-2024, Social tax of .90%-2025. No Solvency Tax 2021-2025 + 5-year window for experience tax (2022), Minimum Weekly Benefit Amount increased to 20% of AWW (2021); Relief of benefit charges (March 22 – May 2) |
|---|------------------------------|---|
| Trust fund balance (12/31/2021) | \$ 566 | \$ (418) |
| Trust fund balance (12/31/2022) with advance / loan | \$ 2,084 | \$ (72) |
| Trust fund balance (12/31/2023) with loan paid back | \$ 3,589 | \$ 701 |
| Trust fund balance (12/31/2024) with loan paid back | \$ 4,937 | \$ 1,613 |
| Trust fund balance (12/31/2025) with loan paid back | \$ 5,848 | \$ 2,824 |
| Estimated amount of borrowing | \$ - | \$ 418 |
| Flat social tax in 2023-2025 | (.60%, .60%, .40%) | (.80%, .85%, .90%) |
| Solvency tax years | 2021, 2022, 2023 | NA |
| Reduction in Total Tax collections in 2021 | - | \$791m |
| Reduction in Total Tax collections in 2021-2025 | - | \$1.9B |

**Addendum VI
Projected Trust Fund Balances**

| <i>(in millions)</i> | Current Law | | Governor proposal | |
|----------------------|--------------------|--------------------|--------------------|--------------------|
| | Trust fund balance | Months of benefits | Trust fund balance | Months of benefits |
| CY 2019 | \$ 4,988.3 | 15.0 | \$ 4,988.3 | 15.0 |
| CY 2020 | \$ 1,367.1 | 6.6 | \$ 1,367.1 | 6.6 |
| CY 2021 | \$ 566.2 | 2.8 | \$ (418.2) | 0.7 |
| CY 2022 | \$ 2,083.9 | 5.5 | \$ (71.5) | 0.2 |
| CY 2023 | \$ 3,589.0 | 9.5 | \$ 700.7 | 2.1 |
| CY 2024 | \$ 4,936.6 | 12.8 | \$ 1,612.8 | 4.4 |
| CY 2025 | \$ 5,847.5 | 15.0 | \$ 2,823.8 | 7.1 |

**Addendum VII
Employer Tax Bulletin**

What to know about unemployment tax rates

Tax rate increases required by law due to high unemployment

For over one million Washingtonians, unemployment benefits have been a financial lifeline during the public health and economic crises brought on by COVID-19.

Federal unemployment benefits and taxes

About two-thirds of the more than \$12 billion in paid benefits have come from federal funds, which doesn't affect your state unemployment taxes.

State unemployment benefits and taxes

Still, we've paid around \$4 billion in benefits from our state's Unemployment Insurance (UI) Trust Fund, and this does affect your state unemployment tax rates.

Experience rate

Your UI experience rate is a ratio based on your taxable wages and multiple years of benefits charged to your account.

Social cost rate

This is a shared-cost tax applied to all employers. It's based on the previous year's cost for benefit payments not attributed to specific employers.

Your 2021 tax rate could change

Possible changes due to state legislation

Washington's Legislature could change state unemployment tax rates and calculations during the upcoming session, which begins on Jan. 11.

We may need to recalculate some employers' tax rates because of new federal programs
The federal CARES Act introduced and funded new unemployment benefit programs with new requirements. These programs add complexity to tax rate calculations when claimants move from federal to state programs and will require adjustments for some employers. As a result, you may receive a recalculated tax rate during 2021.

Create or log in to your eServices account for the most current and accurate info

In eServices, you can manage your employees' unemployment claims, access Employer Account Management Services (EAMS), and more. Starting Dec. 18, you'll be able to view your 2021 rate in EAMS. Learn more at esd.wa.gov/about-employees/eservices-for-employers.

You aren't responsible for benefit charges from claims found to be fraudulent

We remove benefit charges from fraudulent claims before calculating your tax rates. When reviewing your benefit charging statements, check for employees who shouldn't be listed and who you haven't already reported to us. To report fraud, visit our website and follow the instructions in the Employers section at esd.wa.gov/fraud.

Returning to quarterly statements of benefit charges

In 2021, you'll receive your benefit charging statements quarterly instead of monthly.

Relief for employers who used SharedWork

We remove the benefit charges for employees enrolled in an approved SharedWork plan, per the federal CARES act. Learn more at SharedWorkWA.com.

Learn more about 2021 tax rates at esd.wa.gov/employer-taxes.

**Addendum VIII
Example Tax Notice**

Mailing date: December 18, 2020

If you want us to review your tax rate, the law says you must send us a request in writing by January 18, 2021.

Your tax rate for 2021 will be 1.30%.
Your new tax rate is higher than last year.

Your tax rate is a regular taxable employer experience rate calculation.

| | | |
|--|--|--------------|
| You pay tax on an employee's wages only up to the 2021 taxable wage base: \$56,500 | Unemployment Insurance (UI) tax rate based on experience | 0.54% |
| | UI social cost rate | 0.73% |
| | UI Trust Fund solvency surcharge | 0.00% |
| | UI limit deduction (This deduction reduces your rate to the maximum rate.) | 0.00% |
| | Subtotal of unemployment insurance rate | 1.27% |
| | Employment Administrative Fund (EAF) | 0.03% |
| | Total of the above tax rates | 1.30% |

Your tax rate for 2021 is based on the following benefit charges and taxable wages.

| Experience Year | Benefit Charges* | Taxable Wages** |
|---------------------|-----------------------|-------------------------|
| 07/01/19 - 06/30/20 | \$414,882.51 | \$54,877,068.41 |
| 07/01/18 - 06/30/19 | \$303,739.10 | \$54,460,569.72 |
| 07/01/17 - 06/30/18 | \$179,922.41 | \$49,104,506.95 |
| 07/01/16 - 06/30/17 | \$275,416.82 | \$40,408,499.39 |
| Total | \$1,173,960.84 | \$198,850,644.47 |

Benefit Charges divided by Taxable Wages equals Benefit Ratio

Based on your benefit ratio, you were assigned rate class 6.

*Benefit charges are your share of unemployment benefits that we paid to your former employees.
 **Taxable wages are the total amount of your employees' wages on which you paid taxes.