



BIENNIUM REVIEW

Unemployment Insurance

Key changes

- In 2021, early legislative action provided employers with some relief from unemployment insurance (UI) tax increases due to COVID-19 shutdowns.
- Employers in industries most impacted by COVID-19 were also able to apply to have some UI benefits charges “forgiven” to buy down the experience rating component of their unemployment taxes.
- Employment Security Department (ESD) will create a reserve force of unemployment claims adjudicators who will be trained and available to work as claims adjudicators within one week, and make various changes related to UI claims processing.
- In 2022, decreases to the maximum UI social cost factor portion of UI premiums for 2022 and 2023 were made.

Background

Due to the COVID-19 pandemic, more than 1.1 million Washington workers collected unemployment benefits at some point during 2020 and 2021. States' UI systems and administration were not designed or prepared to handle a situation like COVID-19 with millions of individuals filing UI claims all at once. This led to individuals having trouble with their UI claims submissions and not being able to speak with someone at ESD which then led to approval and payment delays for many Washingtonians.

UI benefits are paid from Washington's Unemployment Insurance Trust Fund which is funded by employer taxes with no employee contributions. The UI Trust Fund balance at the end of 2019 was nearly \$5 billion and decreased to \$1.8 billion at the end of 2020. Absent legislation in the 2021 session, the Trust Fund was anticipated to decrease to \$130 million by the end of 2021. Since the UI Trust Fund is funded by employers, employers were facing significant UI tax increases through at least 2025 if the legislature and/or federal government did not make temporary or permanent changes to employer tax rates and/or use other funds sources for the Trust Fund (e.g., federal funding, Budget Stabilization Account (BSA) appropriation).

Bills

- ✓ [Senate Bill 5061](#) (Keiser) – **Employer UI Tax Relief & Benefit Changes.** Limits employers' UI tax rate increases by: 1) relieving certain benefit charges typically charged to employers' experience rate (e.g., initial weeks of the Governor's “Stay Home, Stay Healthy Order”); 2) capping the social tax; and 3) suspending the solvency surcharge tax. Also increases access to UI benefits by expanding eligibility for those in COVID high-risk households and waives the “waiting week” when paid by the federal government. Increases minimum weekly benefit amount from 15 percent to 20 percent of the average weekly wage, but limits to individual's weekly wage beginning January 2, 2022. Current minimum weekly benefit is \$201. See [ESD Web-Page](#) for further details and estimated impacts to UI Trust Fund. *Passed House 89-8-1. Signed by Governor. Effective February 8, 2021.*
- ✓ [House Bill 5478](#) (Keiser) – **Employer UI Tax Relief.** Allows employers in designated industries whose UI tax rate class increased by specified amounts to apply to have some benefits “forgiven” to buy down the experience rating component of their unemployment taxes. Creates the UI Relief Account to reimburse the UI Trust Fund for amounts equal to forgiven benefits. Note: The 2021-23 operating budget appropriates \$500M from the federal Coronavirus State Fiscal Recovery Fund (CSFRF) to the UI Relief Account for this purpose. *Passed House 95-2-1. Signed by Governor. Effective May 12, 2021.*

- ✓ [Senate Bill 5193](#) (Conway) – **Unemployment Insurance System Enhancements.** Requires ESD to create a reserve force of UI claims adjudicators that will be provided annual training and available to work as claims adjudicators within one week. State and other public employees, along with private citizens would be eligible for participating in the reserve force. Requires ESD to implement various changes related to claims processing, including assuring written communications are in plainly understood language. Requires ESD to provide legislative reports regarding implementation and performance metrics. *Passed House 97-0-1. Signed by Governor. Effective July 25, 2021.*
- ✓ [House Bill 1493](#) (Sells) – **Job Search Monitoring.** Allows ESD to direct the required evidence of job search activities for unemployment insurance claimants until December 31, 2023. Removes requirement for in-person job search activities beginning on January 1, 2024, and requires ESD to report to the Legislature detailing the impacts of any flexibilities used in claimant job search methods, monitoring, and outcomes. *Passed House 93-3-2. Signed by Governor. Effective April 16, 2021.*
- ✓ [Senate Bill 5190](#) (Keiser) – **Health Care Worker Unemployment Benefits.** Makes health care employees who left work to quarantine during a public health emergency eligible for unemployment insurance benefits. Provides that misconduct for unemployment insurance purposes does not include entering quarantine or contracting the disease that is the subject of a public health emergency. *Passed House 84-14. Signed by Governor. Effective May 11, 2021.*
- ✓ [Senate Bill 5873](#) (Keiser) – **UI Social Cost Factor Decrease.** Decreases the maximum Unemployment Insurance (UI) social cost factor for 2022 and 2023, and sets a maximum UI rate class for the purposes of the percentage of the social cost factor to be paid by small businesses in 2023. *Passed House 95-0-3. Signed by Governor. Effective March 11, 2022.*
- ✗ [HB 1486](#) (Berry) – **Expanding UI Voluntary Quits** – Expands reasons an individual may voluntarily quit job and receive unemployment insurance, including caregiving for a child or vulnerable adult. *Died on House Floor Calendar.*

Budget information

Note: UI benefits are paid out of the UI Trust Fund which is typically funded by employer taxes, and UI administration is paid for by the federal government (and employers pay a federal tax for this purpose). Therefore, state funds are rarely used to pay for UI benefits and administration.

2021-23 Operating Budget

- **Unemployment Insurance Tax Relief** (\$500 million Federal) – Funding is provided to implement SB 5478 which will provide relief for UI taxes in calendar year 2022 for businesses most heavily impacted by COVID-19.
- **Transfer of State Funds into UI Trust Fund** (\$82 million General Fund - State) – Budget documents just list as a transfer from GF-S to UI Trust Fund, however, understanding is that it to make up for the unrecovered losses due to fraud.
- **Fraud Prevention and Detection Improvements** (\$5.8 million Federal) – Funding is provided to detect and prevent unemployment compensation benefits fraud, including funding for ESD to hire additional staff for fraud investigation, for security improvements to prevent insurance fraud, and to increase the use of automation and machine learning to identify and stop evolving fraud patterns.
- **Improvements to the State UI System** (\$43.1 million Federal) – Funding is provided to improve the state's UI system in order to promote the timely payments of benefits. Funding will support IT system improvements, the purchase of a new cloud-based phone system, translation and language access improvements, and additional staff support to increase the timeliness of UI compensation benefit payments.
- **Administration of Federal UI Benefits** (\$39.9 million Federal) – Funding is provided for ESD to administer benefits related to the federal UI programs included and extended in the American Rescue Plan Act of 2021.
- **UI Appeals** (\$22.3 million Federal) – Funding is provided for the Employment Security Department (ESD) to enter into an interagency agreement with the Office of Administrative Hearings to process a projected increase in UI appeals during the 2021-23 biennium.

2021-23 Supplemental Operating Budget

- **UI Staffing** (\$4.6 million State) – Provides spending authority to ESD if they need to hire temporary staff to manage the UI Program's claims and backlog, but must consult with OFM first.