

## Washington State Employment Security Department's (ESD) Recommended Assumptions to use in Processing UI Data Requests

**Economic Assumptions:**

- We will use March 2005 information from the Economic and Revenue Forecast Council (Forecast Council) for all data requests through the end of the 2006 legislative session. This is the same information we used for EHB 2255 and sets up a baseline to use for future data requests.
- The Forecast Council has forecast information for the State of Washington through 2007. Uncertainties about future economic conditions make it impossible to forecast individualized yearly results beyond 2007; therefore, we will assume 2007 economic conditions will continue in 2008 and 2009. If the actual economic conditions turn out differently for 2008 and 2009, the projections will be less accurate.
- We will use actual claim and demographic information for the 187,207 individuals who filed an initial claim for benefits during the calendar year 2004. This is the same group we used in the preparation of comparisons between 2ESB 6097 and EHB 2255. We have validated that the demographic mix of this group does not differ from other years.
- The values for key variables in the chart below will be used for all data requests, unless the request specifies a different value or scenario that requires us to use a different value. Other variables/values in the model are derived from one or more of these variables.

Variable	Value	Value	Value	Value	Value	Based on
	2005	2006	2007	2008	2009	
<b>Interest rate on UI Trust Fund</b>	5.88%	5.88%	5.88%	5.88%	5.88%	Conservative estimate of interest rate paid by the federal government on outstanding public debts (determined by US Treasury)
<b>Total Unemployment Rate (TUR)</b>	5.82%	5.87%	5.86%	5.86%	5.86%	Forecast Council's forecast in March 2005 for 2005-2007; 2008-09 same as 2007 (no forecast available for outyears)
<b>Total wages (from taxable employers)</b>	\$80.626 Billion	\$81.110 Billion	\$81.921 Billion	\$82.904 Billion	\$84.148 Billion	Actual 2004 wages increased by growth in Per Capita Income forecast by Forecast Council
<b>Average Annual Wage (for contribution purposes) (RCW 50.04.355)</b>	\$40,219	\$40,460	\$40,865	\$41,355	\$41,976	Total Wages from taxable employers (see above) divided by Taxable Covered Employment (actual 2004 taxable covered employment increased by growth in employment forecast by Forecast Council)
<b>Taxable Wage Base</b>	\$30,500	\$30,900	\$31,400	\$31,900	\$32,000	Formula set by law (RCW 50.24.010) using average annual wage for contribution purposes (see above)
<b>Average contribution/tax rate percent</b>	1.74%	1.68%	1.20%	1.15%	1.14%	10 year review of prior arrays and information provided by USDOL Benefit Financing Model (taxes collected divided by Total Wages from taxable employers)
<b>Weeks paid</b>	3,663,172	3,493,130	3,369,345	3,349,450	3,318,231	Calculated from weeks claimed as forecast by USDOL Benefit Financing Model
<b>Average weekly benefit amount (AWBA)</b>	\$303.31	\$312.39	\$317.68	\$314.72	\$317.61	Actual 2004 claims data with wage progression
<b>Economic Condition</b>	Moderate Growth	Moderate Growth	Moderate Growth	Same as 2007	Same as 2007	Forecast Council information

- Data requests can specify changes to one or more variables (e.g., how the weekly benefit amount is calculated). See the Appendix at the end of this document for a list of which variables can be analyzed and also which cannot due to federal conformity issues. If a change to a variable conflicts with federal law, creates an outcome that adversely affects trust fund solvency, or may not be administratively feasible, we will document that limitation.
- We do not have a methodology for providing forecast information based upon the size of the employer (by amount of payroll) or the number of employees. No forecast information in this area will be provided.
- If we are asked for data by industry, we will provide information for the major industry sectors, generally at the two-digit industry code level.
- If we are asked to run a scenario using an economic recession:
  - For a mild recession, we will assume the total unemployment rate would be 7.1% and the economic conditions would resemble those during 1993, which was considered a mild recession in Washington. While this rate may seem high for a mild recession, there was a quick recovery from this rate, which allows us to use 1993 as an example year.
  - For a severe recession, we will assume the total unemployment rate would be 7.4% and the economic conditions would resemble those during 2003. This was the year in which the unemployment rate was the highest in Washington since 1987.

The economic conditions in 1993 and 2003 are similar to the economic conditions in the years used by Dr. Vroman in his 1996 study of the trust fund solvency in Washington.

### **Statutory Assumptions:**

Provisions in current law will be used as the baseline to study variations to Title 50 RCW, including amendments made in EHB 2255. These provisions include:

- The expiration dates in EHB 2255 will not change.
- Weekly benefit amounts for claims with an effective date between April 24, 2005 and July 1, 2007 will be calculated at 3.85% x average of the two highest quarter earnings in the claimant's base year.
- All weekly benefit payments that are in excess of the calculation provided in 2ESB 6097 (1% of the base year earnings) will be paid from Reed Act monies in the UI Trust Fund for claims with an effective date between April 24, 2005 and July 1, 2007. The last payouts for those benefits would likely be in July 2008.
- The social cost factor (social tax) for those employers having a NAICS code of 111xxx, 112xxx, 1141xx, 115xxx, 3114xx, 3117xx, 42448x, or 49312x (where "x" signifies any number) will be zero from the 3<sup>rd</sup> quarter of 2005 through the 2<sup>nd</sup> quarter of 2007.
- For tax rate year 2007, the increase in ineffective account charges that is the result of the zero social tax for employers having the NAICS codes specified in the previous bullet will be charged to the Reed Act account.
- Benefits charged to the Reed Act account will not be used to calculate the social tax for taxable employers. (Instead, these benefits will be tracked under a separate account number.)
- For tax rate years 2005-2007, the taxable wage base calculation uses wages reported by taxable employers in three prior years. Beginning with tax rate year 2008, 2ESB 6097 requires the taxable wage base calculation to use only one prior year of wages reported by taxable employers.  
Examples: Taxable Wage Base for tax rate year 2006 is based on wages in 2002 through 2004.  
Taxable Wage Base for tax rate year 2008 is based on wages in 2006.

### **Note:**

- In addition to Total Benefit Payments, we will show Benefit Liability, which is the amount of benefits directly attributable to taxable employers. Benefit Liability does not include payments made from the Reed Act account and reimbursable charges.

## Appendix – Scope of Variables for Analysis in Data Requests

<b>Variables that COULD be analyzed in data requests</b>	
<b>Benefit Equity</b>	<b>Tax Equity</b>
Deductions from benefit payments * L	Benefit Charge Relief (when not attributable to employer) L
Employment Coverage provisions * L	Covered Employment * L
Maximum Benefits Payable calculation S	Experience Rating Factors S-M
Monetary eligibility requirements M	New Employer Rates above 1% M
Non-Monetary Eligibility * L	Reserve Ratio instead of Benefit Ratio * XXL
Seasonality provisions M-L	Social Cost Factors S-L
Weekly Benefit Amount calculation S	Solvency Surcharge M
	Tax Rate Classes L
	Tax Rates higher than 5.4% L
	Taxable Wage Base L
	Voluntary Contributions L
<p>* Items marked with an asterisk may require additional work to create a new model to analyze the specific request. These new models will use the same assumptions used in the baseline.</p> <p>S,M,L Turnaround time for modeling single-variable data request if no other higher-priority requests are pending:                      SShort (1-3 days); MMedium (up to 1 week); LLong (up to 2 weeks)                      NOTE: More than one variable change or demographic/industry drill-downs require Long turnaround.</p>	

<b>Variables NOT for consideration in data requests due to Federal Conformity Issues</b>	
<b>Benefit Equity</b>	<b>Tax Equity</b>
Eliminating Interstate or any federal claims programs	Relieving benefit charges when unemployment is attributable to employer
Modifying eligibility for federally-defined eligible/ineligible claimants (e.g., school employees, professional athletes)	Modifying federally-defined covered employment
Basing eligibility on anything other than an individual’s unemployment (e.g., “needs-based” payments)	Basing experience rated portion of tax rate on anything other than the employer’s experience with unemployment
Treating government/non-profit claimants differently	Treating qualified employers’ experience rated portion of tax rate differently based upon industry
Denying monetary eligibility if earnings are “too high”	Setting experience rated tax rate for new employers at less than 1%
	Limiting increase or decrease in rate classes in any one year (unless change to Reserve Ratio)
	Setting maximum tax rate at less than 5.4%
	Lowering Taxable Wage Base to less than \$7,000
	Charging administrative cost to reimbursable employers
Using trust fund for anything other than the payment of UI benefits	
Using UI administrative funding for non-UI purposes	
Outsourcing certain UI functions to non-UI entities	