

# UNEMPLOYMENT INSURANCE

Washington’s unemployment insurance (UI) system provides benefits to those who become unemployed through no fault of their own.

The UI system is entirely funded by employers through their unemployment insurance taxes. Revenues from these taxes

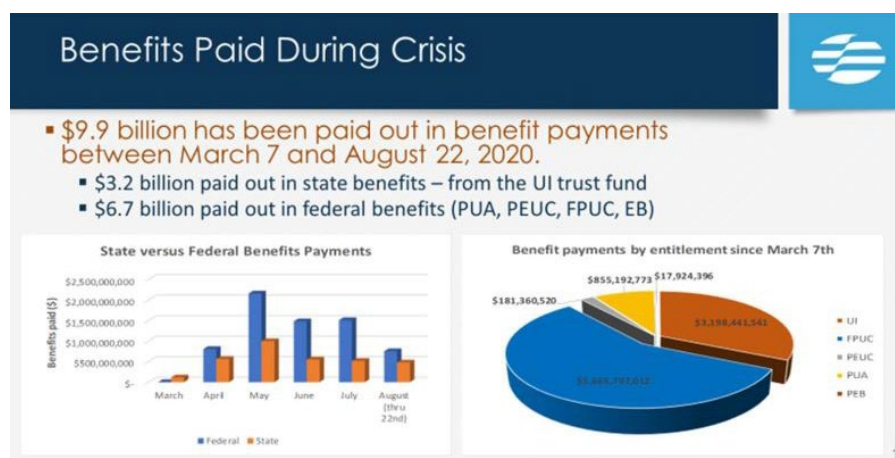
flow into the UI Trust Fund and the fund pays benefits for eligible recipients. It is administered by Washington’s Employment Security Department.

The tax rate for an individual employer has three components:

- Experience rating (often called “benefit charging”) –An individual employer’s UI tax rate is based on a rolling four-year average of benefits paid to their former employees.
- Social tax – All employers pay for the benefits that are not charged to a specific employer.
- Solvency Tax – If the fund is at risk of insolvency, a tax can be imposed to restore the fund.

After reforms to the UI system enacted between 2003-2006, the system has performed well. Washington is one of only three state’s that did not require a loan from the federal government to remain solvent during the Great Recession.

Today, the UI Trust fund is predicted to become insolvent in early 2021.



The reasons: (1) Pandemic related job losses are at unprecedented levels.

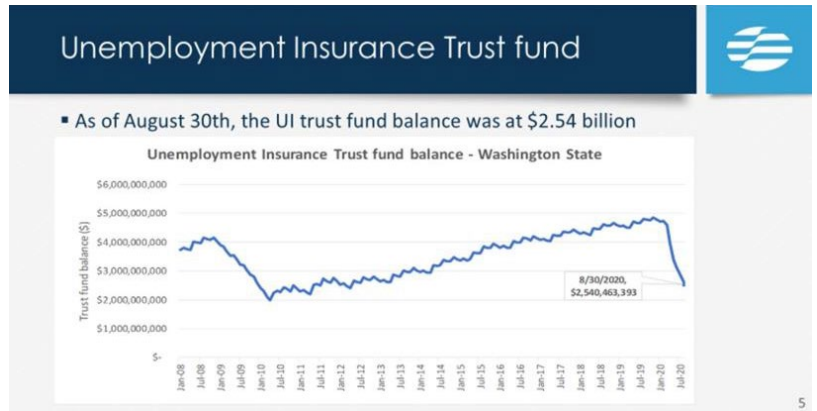
(2) Organized electronic attacks from overseas led to about \$600 million in fraudulent payments from the UI trust fund. (3) Although federal CARES Act funding covers the benefits added by Congress (e.g. \$600 per week increase in benefits), Washington has added new benefit programs for independent contractors and furloughed employees.

Projections show the UI trust fund will become insolvent in early 2021.



Under current law, the UI trust fund can be replenished through one, or some combination, of the following:

- Raising UI taxes on employers.
- Federal loan – (requiring repayment within two years).
- Injection of state or federal funds.



## Guiding Principles

- » The Chamber supports policies that ensure employers and employees are not responsible for the unemployment created by mandates imposed to protect against the spread of COVID-19.
- » The Chamber supports Federal or state funding being used to replenish the UI trust fund.
- » The Chamber supports employers' UI experience ratings not being impacted due to COVID-19 related unemployment insurance claims. Those unemployment insurance claims are the result of employers abiding with the COVID-19 restrictions imposed by the executive branch of the Washington State government.
- » The Chamber supports employers' and employees not being required to replenish the UI Trust Fund for the fraudulent claims paid out of the UI Trust Fund.