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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 2005	Value 2006	Value 2007	Value 2008	Value 2009	Based on
Interest rate on UI Trust Fund	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)
Total Unemployment Rate (TUR)	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)
Total wages	$74.336 Billion	$75.471 Billion	$79.336 Billion	$81.597 Billion	$84.559 Billion	Actual 2004 wages increased by growth in Per Capita Income forecast by Forecast Council
Average Annual Wage	$40,219	$40,460	$40,865	$41,355	$41,976	Total Wages (see above) divided by Taxable Covered Employment (actual 2004 taxable covered employment increased by growth in employment forecast by Forecast Council)
Taxable Wage Base	$30,500	$30,900	$32,100	$32,300	$32,600	Formula set by law (RCW 50.24.010) using average annual wage (see above)
Average contribution/tax rate %	1.74%	1.68%	1.20%	1.15%	1.14%	10 year review of prior arrays and information provided by USDOL Benefit Financing Model
Weeks paid	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
Average weekly benefit amount (AWBA)	$303.31	$312.39	$317.68	$314.72	$317.61	Actual 2004 claims data with wage progression
Economic Condition	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.
- We will show Benefit Payments distributed between: charged taxable benefits, benefits paid from Reed Act, benefits charged to reimbursable employers, and non-charged benefits.
- We will also 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.
- 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 3rd quarter of 2005 through the 2nd 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 year 2006, the taxable wage base is 80% of the average of the three prior years' average annual wage. Beginning with tax rate year 2007, 2ESB 6097 requires that the taxable wage base be 80% of the average of the prior year's average annual wage.

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Appendix – Scope of Variables for Analysis in Data Requests

Variables that COULD be analyzed in data requests	
Benefit Equity	**Tax Equity**
Deductions from benefit payments *	Benefit Charge Relief (when not attributable to employer)
Employment Coverage provisions *	Covered Employment *
Maximum Benefits Payable calculation	Experience Rating Factors
Monetary eligibility requirements	New Employer Rates above 1%
Non-Monetary Eligibility *	Reserve Ratio instead of Benefit Ratio*
Seasonality provisions	Social Cost Factors
Weekly Benefit Amount calculation	Solvency Surcharge
	Tax Rate Classes
	Tax Rates higher than 5.4%
	Taxable Wage Base
	Voluntary Contributions
* 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 as used in the baseline.	

Variables NOT for consideration in data requests due to Federal Conformity Issues	
Benefit Equity	**Tax Equity**
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	