

**NEW JERSEY AND WASHINGTON:  
ALTERNATIVE FINANCING METHODS  
TO SUPPORT TRUST FUND SOLVENCY**

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# HOW DO THE TRUST FUNDS COMPARE?

- Status of state trust funds as of January 1, 2021

| Trust Fund Indicators, 2021                    | Massachusetts | New Jersey | Washington |
|--|---------------|------------|------------|
| Trust Fund Balance (millions)                  | \$34          | \$193      | \$1,798    |
| Outstanding Loan Balance, June 2021 (millions) | \$2,268       | \$333      | \$0        |
| Reserve Ratio                                  | 0             | 0          | 0.93       |
| Average High Cost Multiple                     | 0             | 0          | 0.43       |
| Last year state had 1.0 Avg HCM                | 2000          | 2001       | 2019       |

- Declining balance ahead in Massachusetts
  - End of February Net Trust Fund Balance: -\$2.9 billion
  - Year end: -\$4.1 billion

## HOW DO BENEFITS COMPARE?

| <b>Benefit Metric</b>  | <b>Massachusetts</b> | <b>New Jersey</b>  | <b>Washington</b> |
|------------------------|----------------------|--|-------------------|
| Reciency Rate*         | 50%                  | 59%  | 29%               |
| Maximum Weekly Benefit | \$855                | \$731  | \$844             |
| Maximum w/ dependents  | \$1,283              | Dependent benefit available if regular benefit below the maximum | No change         |
| Benefit Cost Rate      | 2.62                 | 2.53   | 1.91              |

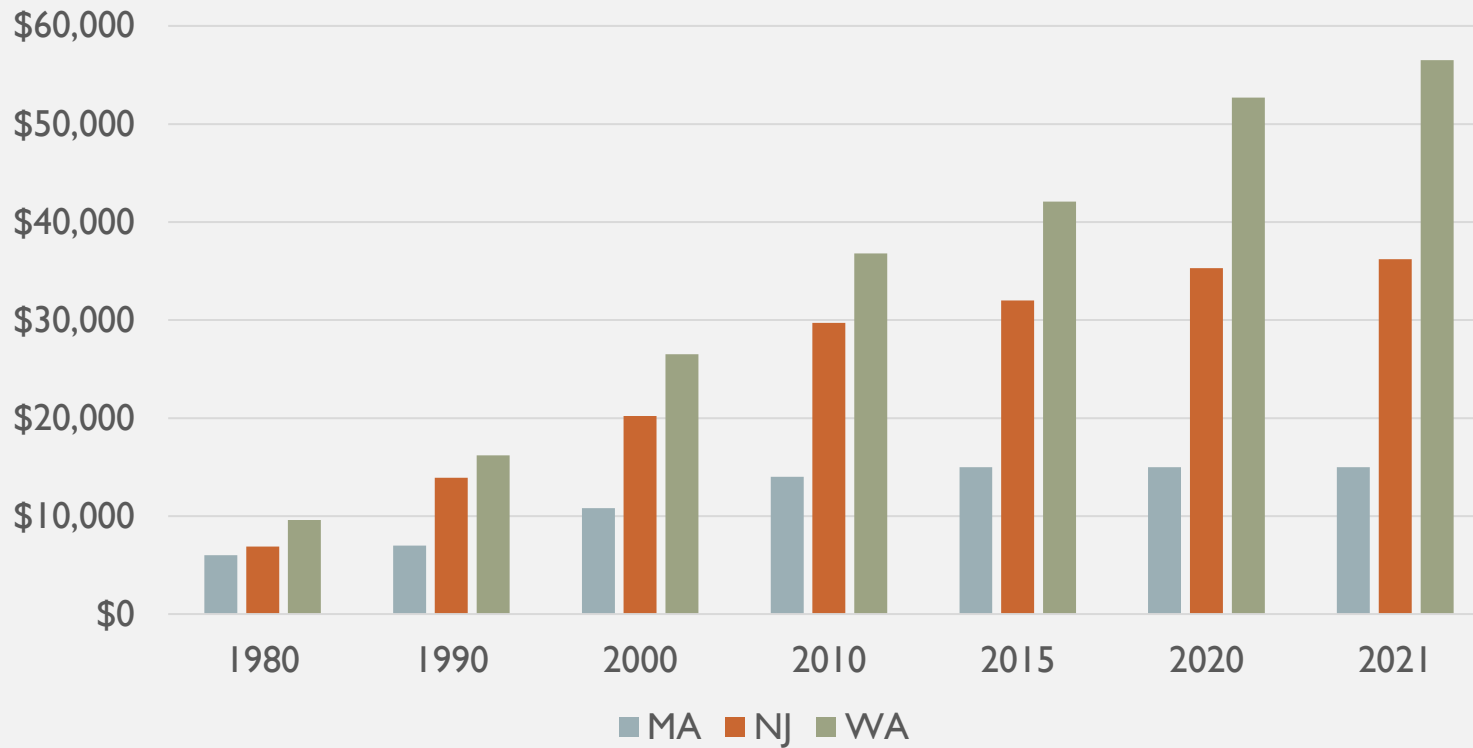
*\*Reciency Rates from 2019*

# EMPLOYER PAYROLL TAX RATE SCHEDULES

- Overall, Washington and New Jersey tend to have lower employer payroll tax rates than Massachusetts
- **Massachusetts**
  - Positive Reserve ratio: 0.56% - 6.77%
  - Negative Reserve ratio: 4.22% - 18.55%
  - Solvency surcharge: 0.58% in 2020 (1.12% in 2021)
- **New Jersey**
  - Positive Reserve ratio: 0.4% - 5.4%
  - Negative Reserve ratio: 2.8% - 5.4%
- **Washington**
  - 0% - 5.4%

# TAXABLE WAGE BASE

SUTA Taxable Wage Base



- The UI taxable wage base in MA has fallen behind
- 2021
  - MA: \$15,000
  - NJ: \$36,200
  - WA: 56,500
- NJ and WA each index their TWB to inflation or wages

## NEW JERSEY'S EMPLOYEE PAYROLL TAX

- New Jersey has an employee payroll tax of 0.425%
- On top of its employer payroll tax rate
  - 0.4% - 5.4% (positive reserve ratio)
  - 2.8% - 5.4% (negative reserve ratio)
- Employee payroll tax accounts for 37% of funding
- Increases UI take-up
  - Workers see it as an earned benefit

# WASHINGTON'S SOCIAL COST FACTOR

- Flat “Social Cost Factor”
  - Modified based on trust fund considerations
    - Determined by subtracting taxes paid by employers for 4 consecutive quarters from total benefits paid over the same period and dividing by total taxable payrolls
  - Minimum flat social cost factor is 0.6%
  - Scaled for each employer as determined by rate class (78% to 120% of the flat tax)
- Revenue Contribution and Current Status
  - Typically accounts for roughly 15% of funding
  - In 2021, was set to rise to 1.22% (43% of funding)
  - However, recently enacted legislation decreased it to 0.5%
- Total tax (basic tax plus social cost factor) cannot exceed 6.5%

# REVIEW

- WA and NJ's high taxable wage base is a major differentiator
  - Enables them to charge lower tax rates than MA, while maintaining generous benefits and stronger trust fund balances
- Each state also employs alternative funding methods on top of employer payroll tax
  - New Jersey's employee payroll tax
  - Washington's social cost factor



THANK YOU!