Government of the District of Columbia
Office of the Chief Financial Officer

Jeffrey S. DeWitt
Chief Financial Officer

MEMORANDUM

TO:	**The Honorable Phil Mendelson** **Chairman, Council of the District of Columbia**
FROM:	**Jeffrey S. DeWitt** **Chief Financial Officer**
DATE:	**June 27, 2017**
SUBJECT:	**Fiscal Impact Statement – 2018 Unemployment Compensation Maximum Weekly Benefit Amount Increase Approval Resolution of 2017**
REFERENCE:	**Draft Bill sent to the Office of Revenue Analysis on June 13, 2017**

Conclusion

Funds are sufficient in the fiscal year 2018 through fiscal year 2021 budget and financial plan to implement the bill.

Background

The resolution approves[1] a recommendation from the director of the Department of Employment Services (DOES) to increase the maximum weekly unemployment benefit from $425 to $432 beginning January 6, 2018. The director's recommendation is authorized under a new law[2] allowing him to annually recommend an increase to the maximum weekly benefit no higher than the increase in the Consumer Price Index[3]. The increase will take effect unless Council passes a resolution disapproving the recommendation.

Financial Plan Impact

The subtitle will increase expenditures in the Unemployment Insurance Trust Fund and the Unemployment Compensation Fund, both managed by the Department of Employment Services. The Unemployment Trust Fund is not a part of the District's budget. It holds the unemployment

[1] Pursuant to section 7(b)(3) of the District of Columbia Unemployment Compensation Act, approved August 28, 1935 (49 Stat. 949; D.C. Law 21-160, effective October 8, 2016; D.C. Official Code § 51-107(b)(3)).
[2] The "Unemployment Benefits Modernization Amendment Act of 2016", passed as a part of the FY 2017 Budget Support Act of 2016, effective October 8, 2016 (D.C. Law 21-160; 63 DCR 12932).
[3] The Consumer Price Index for urban consumers in the Washington metropolitan statistical area.

taxes paid by employers and is used to pay unemployment benefits. The District does not pay unemployment taxes; rather it reimburses the Trust Fund for all benefits paid to recipients who were District government employees. The Unemployment Compensation Fund holds the budget for the reimbursed amounts.

The amount of the increase in payments from the Trust Fund depends on economic conditions and the characteristics of claimants. If the number of claimants receiving the maximum benefit remained similar to the number in fiscal years 2015 and 2016 (about 7,000 to 8,000 claimants), and the number of weeks they received benefits remained about the same (13 to 14 weeks), Trust Fund payments would increase by about $800,000 a year. If economic conditions worsened or future claimants had higher incomes than past claimants, the increase in payments would be higher.

Any increase in Trust Fund benefits increases the likelihood that certain economic conditions could trigger an increase in unemployment taxes to balance the fund, but the increase proposed in this resolution is not expected to be large enough for this to occur in the current financial period. DOES projects that the Trust Fund balance will continue to grow[4], even with the increase in benefits, if current economic conditions continue or remain similar to those of the past 25 years. Currently the Trust Fund has a balance of $463 million.

The increase in benefits to former District government employees can be absorbed in the Unemployment Compensation Fund. The fiscal year 2018 budget for this fund is about $6.8 million, the same as fiscal year 2017, and in fiscal year 2017 the expected spending from the Compensation Fund is $4.6 million or less.

[4] Along with the Average High Cost Multiple, an actuarial metric of adequacy that measures how many years of benefits the fund balance could pay. The U.S. Department of Labor recommends the Average High Cost Multiple remain above 1. DOES projects the Average High Cost Multiple will grow to 1.68 if current economic conditions continue, and to 1.07 if conditions are similar to those of the past 25 years.