


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: September 24, 2019

SUBJECT: Fiscal Impact Statement – 2020 Unemployment Compensation
Maximum Weekly Benefit Amount Increase Approval Resolution of
2019

REFERENCE: Draft Bill sent to the Office of Revenue Analysis on September 12, 2019

Conclusion

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the resolution.

Background

The resolution approves¹ a recommendation from the director of the Department of Employment Services (DOES) to increase the maximum weekly unemployment benefit from \$432 to \$444, effective January 5, 2020. The director is allowed² to recommend such an increase each year, as long as it is no higher than the increase in the Consumer Price Index for urban consumers in the Washington Metropolitan Statistical Area. The director is recommending the equivalent of a two-year increase for 2020; no increase to the maximum weekly benefit occurred in 2019. The increase will take effect unless the Council passes a resolution disapproving the recommendation.

Financial Plan Impact

Funds are sufficient in the fiscal year 2020 through fiscal year 2023 budget and financial plan to implement the resolution.

¹ Pursuant to section 7(b)(3) of the District of Columbia Unemployment Compensation Act, approved August 28, 1935 (49 Stat. 949; D.C. Official Code § 51-107(b)(3)).

² Through the “Unemployment Benefits Modernization Amendment Act of 2016,” effective October 8, 2016 (D.C. Law 21-160; 63 DCR 12932).

The Honorable Phil Mendelson

FIS: "2020 Unemployment Compensation Maximum Weekly Benefit Amount Increase Approval Resolution of 2019," Draft Bill sent to the Office of Revenue Analysis on September 12, 2019

The increase in the maximum unemployment benefit will increase expenditures from the Unemployment Insurance Trust Fund and the Unemployment Compensation Fund, which are both managed by DOES.

Unemployment Insurance Trust Fund

The Unemployment Insurance Trust Fund is an enterprise fund. It holds the unemployment taxes paid by employers and is used to pay unemployment benefits. Under current economic conditions, the Office of Revenue Analysis (ORA) estimates the resolution will increase total benefit payments in 2020 by approximately 2.8 percent, or \$3.2 million. If the District experiences a recession, benefit payments will be higher.

Currently total employer contributions to the Unemployment Insurance Trust Fund are exceeding annual benefit payments. However, under a recession, the District will rely on fund reserves to make required benefit payments. As of December 31, 2018, the fund had a positive reserve balance of approximately \$476 million. ORA considers this balance sufficient to pay benefits throughout the financial plan, even if there is a recession. Furthermore, ORA estimates this fund balance can accommodate the increase in the maximum weekly benefit proposed by the proposed resolution. However, continually increasing benefit payments without a corresponding increase in contributions will eventually significantly diminish fund reserves during a recession.³ Without sufficient fund reserves the District would be required to make benefit payments out of its General Fund.

Unemployment Compensation Fund

The proposed benefit increase directly affects the District's local funds budget in the Unemployment Compensation Fund. While the District does not pay unemployment taxes, it reimburses the Unemployment Insurance 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 fiscal year 2020 budget for the Unemployment Compensation Fund is about \$5.5 million. The fund can absorb the cost of the maximum weekly benefits increase if the number of former District government employees claiming benefits is like that of the past few years. If former employees were to make more claims than the fund can absorb, DOES would need to ask for additional local funds.

³ For our analysis that led to this conclusion please see "A Study of the District's Unemployment Insurance Trust Fund," July 2019, (CFO23-8), available at <http://lims.dccouncil.us/Legislation/CFO23-0008>.