Rate Schedule Models in UI and PFML Programs

Vermont's Unemployment Insurance Program:[1]

The Unemployment Insurance rate schedule is determined by a special formula in the Vermont Unemployment Compensation Law. 21 V.S.A. § 1326 provides five different rate schedules, each with twenty-one tax rates. The tax schedules are designed so that Rate Schedule 3 provides an "equilibrium" of funding across the business cycle. Schedules 1 and 2 raise less money than the equilibrium and Schedules 4 and 5 raise more than the equilibrium. The difference in the total amount raised under each schedule is approximately $10 million.

The Unemployment Trust Fund is "forward funded," which means that the tax schedules are designed to raise funding during good economic times to ensure that there is adequate funding during recessions. The U. S. Department of Labor suggests that a state trust fund be maintained at a sufficient level such that if no additional taxes were paid, the Trust Fund could continue to pay benefits for at least one year. Vermont's rate schedules are designed to maintain at least 1.5 years of funding if no additional taxes are paid.

Vermont's UI Tax Schedules and Rates:

Rate Class	Rate Schedules				
	1	2	3	4	5
0	0.4	0.6	0.8	1.1	1.3
1	0.5	0.7	0.9	1.2	1.5
2	0.6	0.8	1.1	1.4	1.8
3	0.7	1.0	1.4	1.7	2.1
4	0.8	1.2	1.7	2.0	2.4
5	0.9	1.4	2.0	2.3	2.7
6	1.1	1.7	2.3	2.6	3.0
7	1.4	2.0	2.6	2.9	3.3
8	1.7	2.3	2.9	3.2	3.6
9	2.0	2.6	3.2	3.5	4.0
10	2.3	2.9	3.5	3.8	4.4
11	2.6	3.2	3.8	4.1	4.8
12	2.9	3.5	4.1	4.5	5.2
13	3.2	3.8	4.4	4.9	5.6
14	3.5	4.1	4.7	5.3	6.0
15	3.8	4.4	5.0	5.7	6.4
16	4.1	4.7	5.3	6.1	6.8
17	4.4	5.0	5.6	6.5	7.2
18	4.7	5.3	5.9	6.9	7.6
19	5.0	5.6	6.2	7.3	8.0
20	5.4	5.9	6.5	7.7	8.4

[1] Source: Vermont Department of Labor, http://labor.vermont.gov/unemployment-insurance/employers/ui-tax-rates/.

Washington State's PFML Program:

Washington State's paid family leave program funding is set in a manner similar to Vermont's UI program. The funding formula is set forth in RCWA 50A.04.115, and provides in relevant part:

> (6) For calendar year 2021 and thereafter, the total premium rate shall be based on the family and medical leave insurance account balance ratio as of September 30th of the previous year. The commissioner shall calculate the account balance ratio by dividing the balance of the family and medical leave insurance account by total covered wages paid by employers and those electing coverage. The division shall be carried to the fourth decimal place with the remaining fraction disregarded unless it amounts to five hundred-thousandths or more, in which case the fourth decimal place shall be rounded to the next higher digit. If the account balance ratio is:
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> (a) Zero to nine hundredths of one percent, the premium is six tenths of one percent of the individual's wages;
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> (b) One tenth of one percent to nineteen hundredths of one percent, the premium is five tenths of one percent of the individual's wages;
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> (c) Two tenths of one percent to twenty-nine hundredths of one percent, the premium is four tenths of one percent of the individual's wages;
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> (d) Three tenths of one percent to thirty-nine hundredths of one percent, the premium is three tenths of one percent of the individual's wages;
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> (e) Four tenths of one percent to forty-nine hundredths of one percent, the premium is two tenths of one percent of the individual's wages; or
>
> (f) Five tenths of one percent or greater, the premium is one tenth of one percent of the individual's wages.
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> (7) Beginning January 1, 2021, if the account balance ratio calculated in subsection (6) of this section is below five hundredths of one percent, the commissioner must assess a solvency surcharge at the lowest rate necessary to provide revenue to pay for the administrative and benefit costs of family and medical leave, for the calendar year, as determined by the commissioner. The solvency surcharge shall be at least one-tenth of one percent and no more than six-tenths of one percent and be added to the total premium rate for family and medical leave benefits.