

ESD Budget Update

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WTECB Meeting
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**Employment
Security
Department**
WASHINGTON STATE

Agenda



- I. Federal and State Fund Source Overview
- II. ESD Revenues (Federal) and Expenditures
- III. ESD 25-27 Biennium Budget/Decision Packages (non-Leave & Care)
- IV. State Fund Balances
- V. Federal “Reconciliation” Budget Bill and FFY26 President’s Budget Proposal
- VI. 2026 Legislative Session Requests

Federal Funding



Unemployment Insurance (UI) Program

- **UI Administration:** Used to administer UI program. The Federal Unemployment Tax Act (FUTA) is a 0.6% employer tax on the first \$7,000 of each worker's earnings per year. These funds are paid to the federal government and distributed to states based on an allocation methodology for UI administrative costs.

Workforce Programs

- **Wagner-Peyser:** Used for ESD staff to provide employment services at WorkSource centers throughout the state. In WA, 90% of funds are allocated for general services and 10% are allocated to Migrant and Seasonal Farmworker (MSFW) outreach.
- **Workforce Innovation and Opportunity Act (WIOA) Administration:** Used to oversee Adult, Dislocated Worker, and Youth (WIOA 5%), as well as National Dislocated Worker Grant (NDWG), employment and training services provided by staff in local workforce areas.
- **Other:** Foreign Labor Certification (FLC), Jobs for Veterans State Grants (JVSG), Reemployment Services and Eligibility Assessment (RESEA), and Trade Adjustment Assistance (TAA)

Federal Funding



Labor Market Information (LMI) Programs

- **Bureau of Labor Statistics (BLS):** Used for statistical data gathering, analysis and dissemination to include current employment statistics, local area unemployment statistics, occupational employment statistics, quarterly census of employment and wages, and mass layoff statistics.
- **Workforce Information Grants:** Used to develop and disseminate essential workforce and labor market information, including employment trends, local labor market trends and other data.

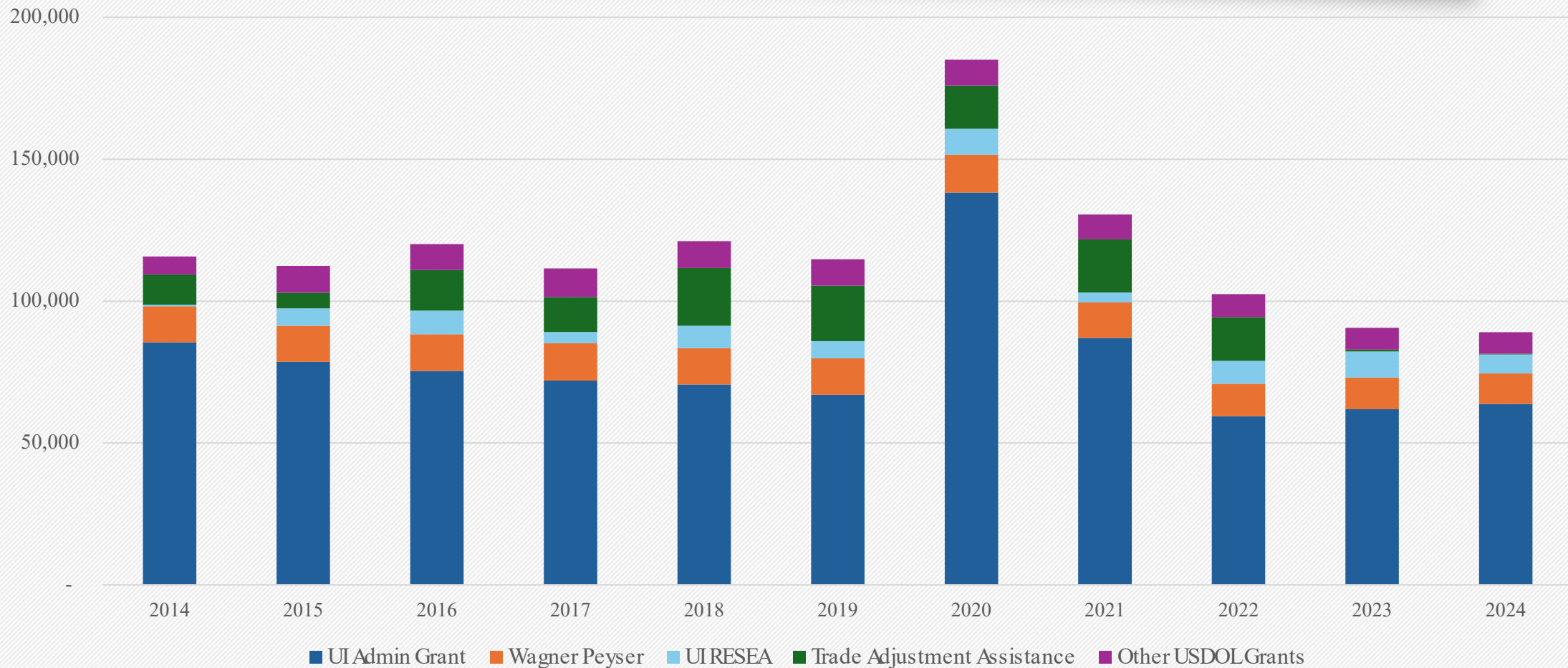
State Funding



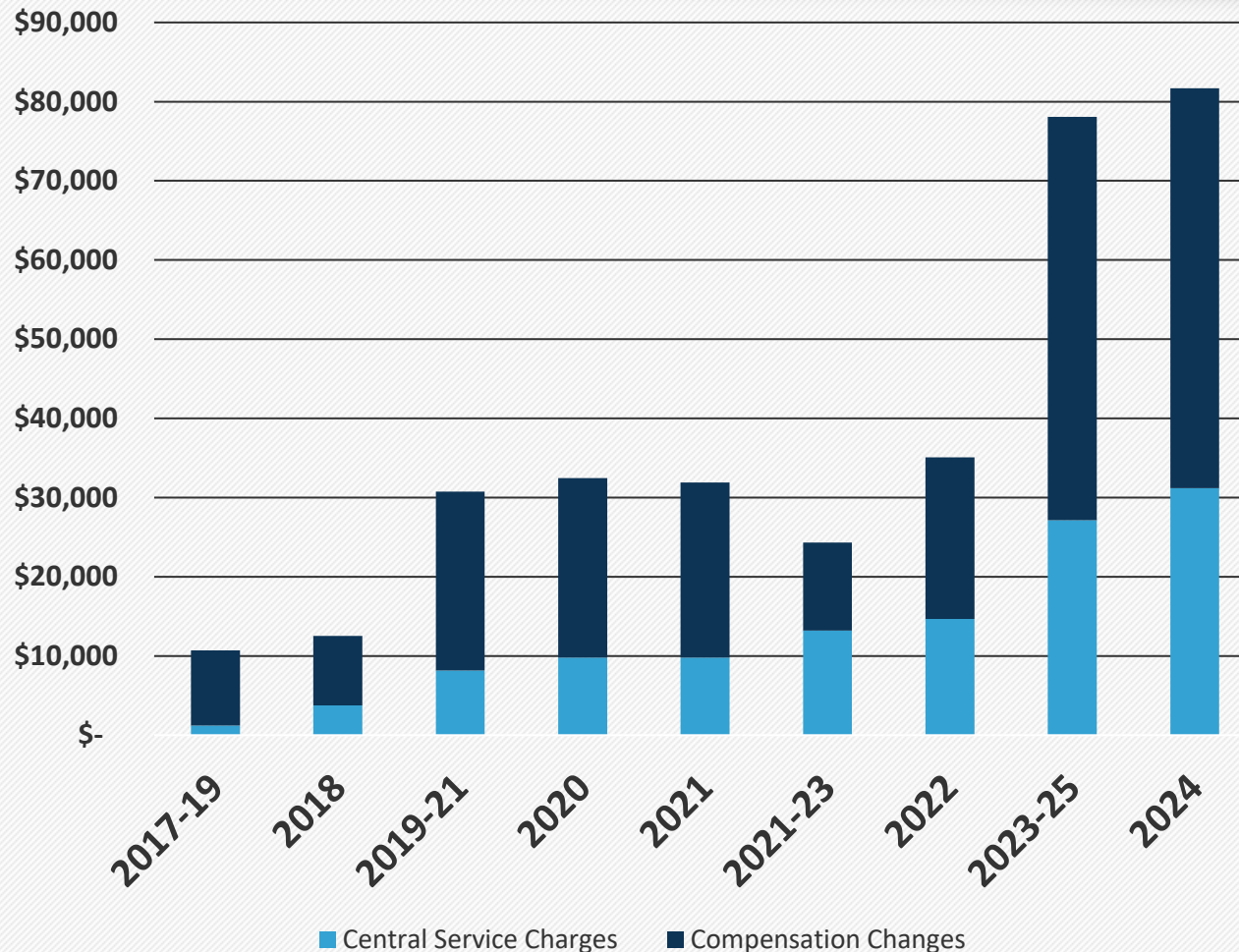
Two State Funding Sources

- **Claimant Placement Program (CPP):** Funding from the Employment Services Administrative Account (Fund 134). CPP receives its revenue from an employer surcharge on UI taxable wages. This funding source was established in 1985 to augment federal funds to support employment programs. These funds have been increasingly necessary to supplement federal funding and finance key employment-related initiatives.
- **Penalties and Interest (P&I):** Funding from the Administrative Contingency Account (Fund 120). P&I receives revenues from penalties and interest employers pay for late or incorrect unemployment taxes. P&I revenue also comes from interest paid by UI recipients who must repay benefits to which they were not entitled.

Federal Revenue Decreasing Adjusted for Inflation



Changes in Central Services and Compensation Base ESD Budget



Central service and compensation increases have put additional pressure on ESD resources

25-27 Biennium Budget: ESD Base Funding



The conference budget reduced ESD's "base" funding:

- One-time funding ends
- Reductions in number of management and administrative positions
- Federal revenue has declined, and the availability of CPP and P&I to cover shortfalls has increasingly become less of an option.

Impact:

- Overall: ESD is eliminating roughly 100 permanent positions, nearly 80 of which are vacant. The majority of those are management and administrative positions.
- WorkSource Staff: Reduction of 17 permanent funded FTEs including management and administrative positions, 12 of which were vacant.
- WorkSource Facilities: Continued engagement with local areas on expiring leases.

25-27 Biennium Budget: ESD Initiative/Program Funding



ESD initiatives/programs were funded with CPP or P&I funds:

- Federal Funding Shortfall: \$22.3M
- UI Customer Improvement Plan: \$11.2M
- UI Customer Compliance (UI Fraud): \$1.66M (SFY26)
- UI Navigators: \$1M (SFY26)
- Workforce Integration Technology (WIT): \$9.2M
- Website Modernization: \$.2M
- Agricultural and Seasonal Workforce Services (ASWS): \$.6M

ESD fund “swaps”:

- Economic Security for All (EcSA): \$12.3M (previously GF-S, now CPP)
- Career Connect Washington (CCW): \$4.7M (previously WEIA, now P&I)
- WorkFirst: \$4.0M (previously DSHS GF-S, now P&I)

25-27 Biennium Budget: ESD WorkSource Staff Impacts



The conference budget includes the following funding impacting ESD staff in WorkSource centers:

- **UI Customer Improvement:** Includes funding to maintain staff to help with UI support, general questions, and increasing access for claimants.
- **Agriculture:** Fund a position to create a central point for oversight of domestic farmworker recruitment, referral and placement. Re-allocate ASWS compliance staff.
- **WorkFirst:** Includes funding to maintain staff for case management of TANF recipients and continuation of life skills programs.
- **BFET:** Services will continue in 10 offices. However, termination of state matching funds by DSHS will result in reduction in staff.

Economic Security for All (EcSA)



Funds	23-25 Biennium	25-27 Biennium
State EcSA (below 200% FPL)	\$12,416,000	\$12,338,000
State EcSA (above 200% FPL)	\$5,292,000	\$0
State EcSA (business navigators)	\$2,896,000	\$0
Commerce Community Reinvestment Fund	\$48,250,000	\$14,475,000*
TOTAL	\$68,854,000	\$26,813,000

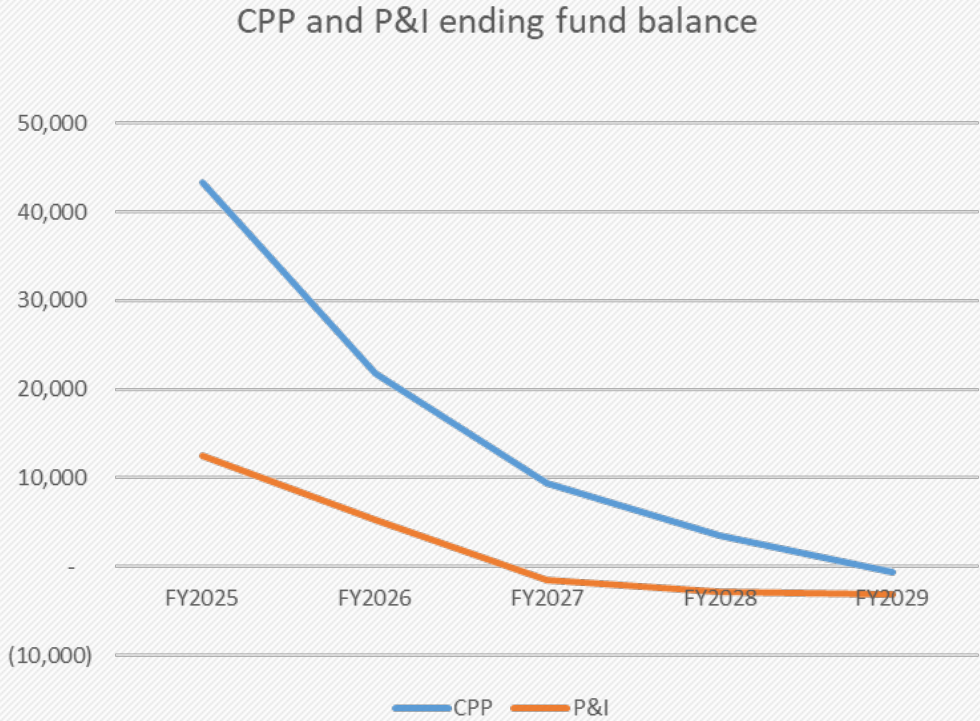
*Pending signed agreement w/Commerce

Note: WIOA 10% (Federal) funding of \$2.5 million in 23-25 biennium (\$17.5 million from PY19-22)

ESD State Funding: CPP and P&I



Conference Budget: Employment Service Administrative Account-Fund 134 (CPP) and Administrative Contingency Account-Fund 120 (P&I)



House “Reconciliation” Budget Bill



One Big Beautiful Bill Act

- The House budget reconciliation bill includes Medicaid work requirements for certain individuals to remain enrolled in Medicaid.
- Individuals with work requirements must meet one of several conditions, including participating in a work program for not less than 80 hours a month.
- Work programs include WIOA programs overseen by states and localities.
- **There are no new funds in the bill for states, localities, or nonprofit organizations to place, train, or supervise individuals for work or work programs.**

President's FFY26 Budget Proposal



“Make America Skilled Again” (MASA)

- Would consolidate 11 employment and training programs while significantly reducing overall funding (24%) and eliminating several programs, including the Wagner-Peyser grant (funded at \$675 million in FFY25).
- Would require MASA grantees to spend at least 10 percent of their funds on Registered Apprenticeship activities.

Unemployment Insurance

- Proposes level funding for UI Administration with a slight increase for RESEA.
- Proposes a \$25 million increase for UI national activities for ID verification services.

Labor Market Information

- Proposes to shift BLS from the Department of Labor to the Department of Commerce.
- Would eliminate the Workforce Data Quality Initiative (WDQI).

2026 State Supplemental Budget



OFM Instructions

- Non-discretionary changes in legally mandated caseloads or workloads.
- Necessary technical corrections to the enacted 2025-27 budgets.
- Additions or reductions to federal or private/local funding anticipated for the remainder of the biennium.
- Critical and emergent costs that cannot be accommodated with savings or efficiencies in the existing budget.
- Additional options for efficiencies, reform, administrative savings, or reductions in non-essential services and programs.

ESD Approach

- **Addressing potential reductions to federal funding for the remainder of the biennium will take priority in informing any ESD decision packages.**