JANUARY 2024 DISABILITY INSURANCE (DI) FUND FORECAST

INTRODUCTION

This report provides the status of the DI Fund and includes information on the current and projected fund balance, disbursements, receipts, and contribution rates for the State Disability Insurance (SDI) program.

The DI program is a component of SDI and provides benefits to workers who are unable to work due to pregnancy or a non-work-related illness or injury. California and twelve other states, along with the Commonwealth of Puerto Rico, have enacted paid family and/or medical leave for their workforce.

The SDI program includes the Paid Family Leave (PFL) program, which currently allows California workers to take up to eight weeks of paid leave each year to care for a seriously ill child, spouse, parent, domestic partner, grandparent, grandchild, sibling, or parent-in-law, or to bond with a new child.

Senate Bill (SB) 951 [Chapter 878, Statutes of 2022], continues the current 70 / 60 percent wage replacement rates through December 31, 2024, increases the wage replacement rates to 90 percent for lower wage earners and 70 percent for all other covered workers beginning January 1, 2025, and increases the salary threshold for low wage earners. In addition, the taxable wage ceiling will be removed as of January 1, 2024, which is projected to increase net worker contributions.

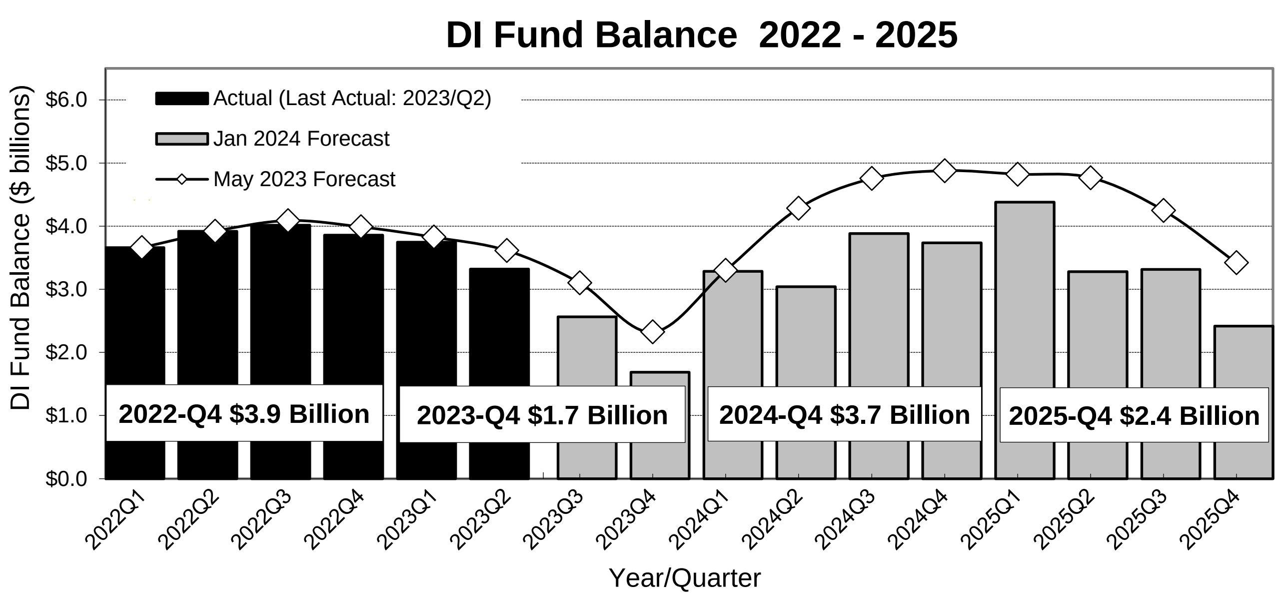
The basis for this forecast is the June 2023 Labor Market Information Division's economic outlook which primarily impacts DI covered employment, DI total wages, DI taxable wages, and net worker contributions.

FUND BALANCE

The DI Fund balance was $3.9 billion at the end of 2022. The DI Fund balance is projected to be $1.7 billion at the end of 2023, $3.7 billion at the end of 2024, and $2.4 billion at the end of 2025. The year over decrease in 2023 is primarily due to higher projected disbursements compared to receipts. The year over increase in 2024 is primarily due to the SDI contribution rate increasing from 0.9 percent in 2023 to 1.1 percent in 2024, as well as previously enacted legislation, SB 951, which removes the Taxable Wage Ceiling as of January 1, 2024, increasing projected net worker contributions significantly. The year over decrease in 2025 is primarily due to higher projected disbursements compared to receipts.

These fund balance figures do not take into consideration the loan of $306 million in September 2023 for payment of the interest due on advances to the UI Trust fund. The 2023 loan is statutorily required to be repaid, with interest, by June 30, 2027. Additionally, the loan amounts have not been held against the fund when calculating the DI Contribution rate. The following chart shows the actual and projected quarterly DI Fund balance from 2022 through 2025.

The DI Fund balance is projected to be $1.7 billion at the end of 2023.



NET BENEFITS

Total SDI net benefits, including PFL, were $9.3 billion in 2022 and are projected to increase to $10.9 billion in 2023, $11.6 billion in 2024, and $14.1 billion in 2025.

Net benefits for PFL were $1.6 billion in 2022, and are projected to increase to $1.8 billion in 2023, $2.0 billion in 2024, and $2.6 billion in 2025.

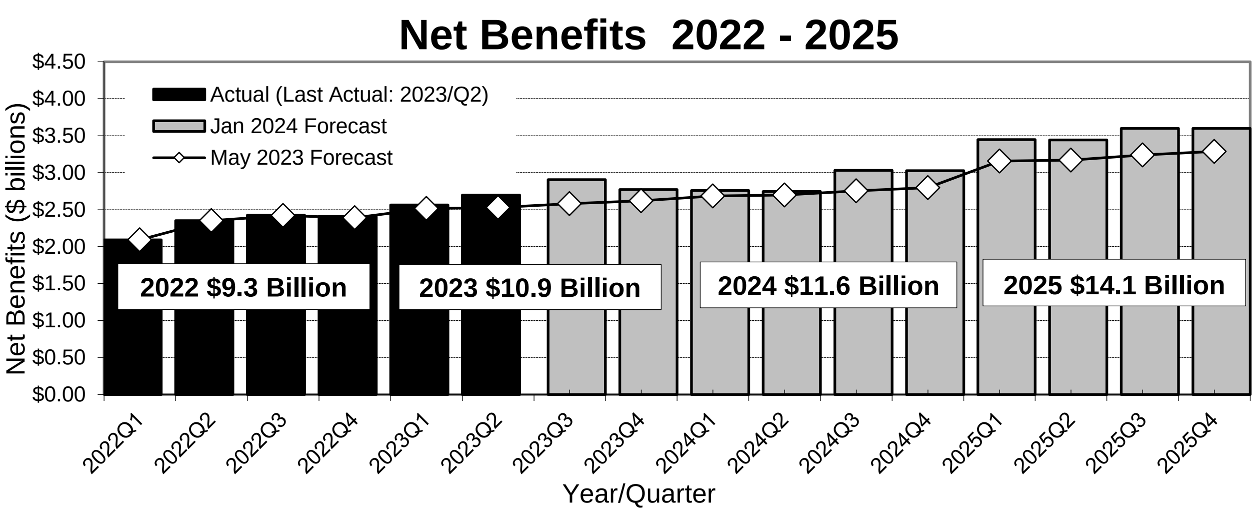
Several factors have contributed to the net benefit projections, including legislative changes and economic impacts. Legislative changes include SB 951 which extends the current 70 / 60 percent wage replacement rates through December 31, 2024, and effective January 1, 2025, increases the wage replacement rates to 90 / 70 percent as well as increases the threshold for low wage earners. Also contributing to net benefit projections are the anticipated increases in the average weekly benefit amount (AWBA). The SDI AWBA was $751 in 2022, and is projected to increase to $813 in 2023, $850 in 2024, and $976 in 2025.

The calculation of the maximum weekly benefit amount (MWBA) is mandated by Sections 4453 (a) and 4653 of the California Labor Code (refer to page A2 of the Appendix – Weekly Benefit Amount for an explanation of the MWBA). The MWBA calculation is based on the U.S. Department of Labor’s state average weekly wage (SAWW) data.

The MWBA was $1,540 in 2022, $1,620 in 2023, and is projected to remain at $1,620 in 2024 and $1,620 in 2025 based on the decrease seen in the 2023/Q1 SAWW.

Net benefits account for the majority of disbursements from the DI Fund. The other disbursements are for administration costs. The following chart shows actual and projected quarterly SDI benefit payment data, including PFL, from 2022 through 2025.

SDI net benefits are projected to be $10.9 billion in 2023.



CONTRIBUTIONS

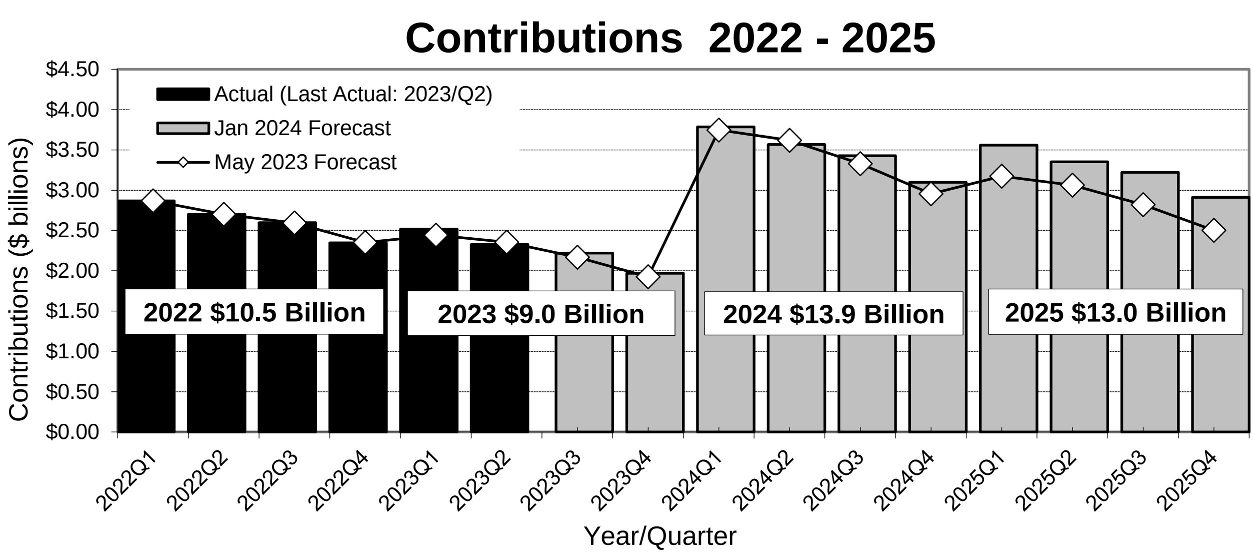
The SDI contributions were $10.5 billion in 2022 and are projected to decrease to $9.0 billion in 2023, increase to $13.9 billion in 2024, and decrease to $13.0 billion in 2025. The projected increase in 2024 SDI contributions is due to an increase in the contribution rate and the removal of the taxable wage ceiling as a result of SB 951.

The SDI contribution rate was 1.1 percent for 2022, decreased to 0.9 percent in 2023, increased to 1.1 percent in 2024, and is projected to decrease to 1.0 percent in 2025. The statutory formula for calculating the SDI contribution rate helps to maintain an adequate DI Fund balance without having excess money in the fund (refer to page A4 of the Appendix – Tax Rate for an explanation of the SDI contribution rate).

The SDI program taxes cover eligible employees up to a ceiling, which is calculated by the formula in CUIC Section 985. The taxable wage ceiling was $145,600 in 2022 and $153,164 in 2023. Due to SB 951, the Taxable Wage Ceiling will be removed as of January 1, 2024.

While contributions account for the majority of total receipts to the DI Fund, interest earnings, and other receipts are also included in the DI Fund balance (refer to page A1 in the Appendix under Total Receipts for an explanation of all receipts). The following chart shows the actual and projected quarterly contributions from 2022 through 2025.

SDI contributions are projected to be $9.0 billion in 2023.



DISABILITY INSURANCE FUND
FORECAST FOR CALENDAR YEARS 2023 – 2025
Table 1
(Dollars in millions)

	2022	2023 (F)	2024 (F)	2025 (F)
FUND SUMMARY				
End of Calendar Year Fund Balance [1]	$3,858.5	**$1,688.4**	**$3,736.3**	**$2,415.5**
FUND EVALUATION				
End of Calendar Year Fund Balance as a percent of Calendar Year Disbursements [2]	39.8%	**14.9%**	**30.9%**	**16.5%**
RECEIPTS AND DISBURSEMENTS				
Receipts Less Disbursements	854.3	**($2,170.0)**	**$2,047.8**	**($1,320.7)**
Total Receipts[3]	$10,560.2	**$9,183.5**	**$14,128.9**	**$13,315.5**
Net Worker Contributions	$10,511.7	**$9,030.6**	**$13,872.7**	**$13,043.9**
Interest Income	$17.8	**$96.6**	**$103.4**	**$127.8**
Other Receipts	$30.6	**$56.3**	**$152.9**	**$143.8**
Total Disbursements[4]	$9,705.9	**$11,353.5**	**$12,081.1**	**$14,636.2**
Net Benefits[4]	$9,277.0	**$10,941.6**	**$11,562.5**	**$14,088.1**
Administration & Misc. Disbursements[5]	$428.9	**$411.9**	**$518.6**	**$548.2**

(F) Forecast: Last actual data is through the second quarter of 2023. Bolded numbers are estimates and components may not add to totals due to independent rounding.

Table 1 includes information related to DI and PFL.

(1) Pursuant to Provision 1, Item 7100-011-0588 [Chapter 38, Statutes of 2023] of the 2023 Budget Bill, a loan of $301.6 million from the DI Trust Fund was transferred to the General Fund for the purpose of paying the interest owed as of September 30, 2023, for an outstanding loan from the Unemployment Insurance Trust Fund. However, in accordance with this budget item, this borrowing of DI funds for the interest payment did not impact the DI Contribution rate and will be repaid by the General Fund no later than June 30, 2027.

(2) The forecasted fund adequacy rates are subject to change in response to changes in the contribution rate that may occur according to the Director's discretion, as per CUIC Section 984(d).

(3) The basis for this forecast is the June 2023 Labor Market Information Division's economic outlook which primarily impacts DI covered employment, DI total wages, DI taxable wages, and net worker contributions. SB 951 [Chapter 878, Statutes of 2022] removes the taxable wage ceiling requirement as of January 1, 2024, which is projected to increase net worker contributions.

(4) SB 951 [Chapter 878, Statutes of 2022] continues the current 70 / 60 percent wage replacement rates through December 31, 2024, increases the wage replacement rates to 90 percent for lower wage earners and 70 percent for all other covered workers beginning January 1, 2025, and increases the salary threshold for low wage earners.

(5) Senate Bill 84 [Chapter 50, Statutes of 2017], requires all funds that contribute to retirement contributions to repay interest and principal on the Surplus Money Investment Fund loan. Payments of $6.5 million 2023 and $5.1 million in 2024 will be appropriated from the DI Fund for repayment of the cash loan funding the supplemental pension payment.

DISABILITY INSURANCE FUND
FORECAST FOR CALENDAR YEARS 2023– 2025
Table 2

	2022	2023(F)	2024 (F)	2025 (F)
STATE PLAN CLAIMS DATA (1)				
First Claims Paid (FCP)	648,339	**686,000**	**700,000**	**733,000**
Weeks Paid per FCP	16.1	**16.8**	**16.4**	**16.5**
Weekly Benefit Amount				
Maximum/Minimum	$1,540/$50	$1,620/$50	**$1,620/$50**	**$1,620/$50**
Average	$751	**$813**	**$850**	**$976**
COVERED EMPLOYMENT AND WAGES				
Total Average Covered Employment (2)	19,270,180	**19,337,000**	**19,477,000**	**19,611,000**
Average Covered State Plan (2)	18,605,846	**18,666,000**	**18,801,000**	**18,930,000**
Average Covered Voluntary Plan (2)	664,334	**671,000**	**676,000**	**681,000**
Total Average Weekly Wage (3)	$1,344	**$1,389**	**$1,428**	**$1,467**
Average State Plan Wage (3)	$1,210	**$1,249**	**$1,285**	**$1,320**
Average Voluntary Plan Wage (3)	$5,119	**$5,267**	**$5,412**	**$5,557**
Total Covered Wages	$1,352.4 (bil)	**$1,401.6 (bil)**	**$1,452.1 (bil)**	**$1,501.9 (bil)**
Covered State Plan Wages	$1,174.9 (bil)	**$1,217.2 (bil)**	**$1,261.2 (bil)**	**$1,304.4 (bil)**
Covered Voluntary Plan Wages	$177.5 (bil)	**$184.5 (bil)**	**$191.0 (bil)**	**$197.5 (bil)**
State Plan Taxable Wages (4)	$957.3 (bil)	**$1,003.4 (bil)**	**$1,261.2 (bil)**	**$1,304.4 (bil)**
TAX RATE (CONTRIBUTION RATE)	1.10%	0.90%	1.10%	**1.00%**
TAXABLE WAGE CEILING	$145,600	$153,164	No Limit	No Limit
UNEMPLOYMENT RATE (Civilian)	4.2%	**4.5%**	**4.7%** (2)	**4.7%** (2)

(F) Forecast: Last actual data is through the first quarter of 2023. Bolded numbers are estimates.

(1) Information in this area does not include PFL. Table 3 provides a display of data related only to PFL.
(2) The basis for this forecast is the June 2023 Labor Market Information Division's economic outlook which primarily impacts DI covered employment, DI total wages, DI taxable wages, and net worker contributions.
(3) The Average Weekly Wage is calculated using estimated Covered Wages divided by Average Covered Employment divided by 52.2 (weeks per year).
(4) SB 951 [Chapter 878, Statutes of 2022], removes the Taxable Wage Ceiling requirement beginning January 1, 2024. Therefore, State Plan Total Wages will be used as of 2024 and beyond.

Note: Components may not add to totals due to independent rounding.
(bil) = Amount in billions.

PAID FAMILY LEAVE
FORECAST FOR CALENDAR YEARS 2023– 2025
Table 3

	2022	**2023 (F)**	**2024 (F)**	**2025 (F)**
PAID FAMILY LEAVE CLAIMS DATA				
First Claims Paid (FCP)	280,665	**300,000**	**314,000**	**338,000**
Weeks Paid per FCP	7.2	7.2	**7.3**	**7.3**
Weekly Benefit Amount				
Maximum/Minimum	$1,540/$50	$1,620/$50	**$1,620/$50**	**$1,620/$50**
Average	$839	**$899**	**$944**	**$1,117**
NET BENEFITS [1]	$1,609.2 (mil)	**$1,808.6 (mil)**	**$2,026.6 (mil)**	**$2,580.3 (mil)**

(F) Forecast: Last actual data through the second quarter of 2023. Bolded numbers are estimates.

(1) SB 951 [Chapter 878, Statutes of 2022], continues the current 70 / 60 percent wage replacement rates through December 31, 2024, increases the wage replacement rates to 90 percent for lower wage earners and 70 percent for all other covered workers beginning January 1, 2025, and increases the salary threshold for low wage earners.

Table 3 provides a display of data related only to PFL.

Note: Components may not add to totals due to independent rounding.
(mil) = Amount in millions

A P P E N D I X

STATE DISABILITY INSURANCE (SDI) DEFINITIONS

The following definitions are informational only and arranged in order of their appearance in Tables 1 and 2. The law is the California Unemployment Insurance Code (CUIC) and the California Labor Code. Interpretations of the law are contained in opinions of the Attorney General, administrative and court decisions, and Title 22 of the California Code of Regulations.

TOTAL RECEIPTS

Net Worker Contributions:

This amount represents total worker contributions, less refunds. For example, in 2023, total worker contributions are the amount collected as a result of employers withholding 0.9 percent of all wages for each employee, up to a maximum of $1,378.48 (0.9 percent of $153,164, the taxable wage ceiling). However, if an employee works for more than one employer, the total withheld in 2023 may exceed $1,378.48. The employee would then be eligible for a refund of the amount exceeding $1,378.48. Refunds are claimed as a credit on the California personal income tax return. Individuals not required to file personal income tax returns may file for refunds with the Employment Development Department.

Interest Income:

This is interest earned on the State Treasurer's investment of DI funds. At any given time, about 99 percent of the DI Fund is invested. The total amount earned by such investments constitutes interest income.

Other Receipts:

Receipts from Voluntary Plan assessments constitute the largest portion of "Other Receipts." A Voluntary Plan is an approved private plan. It may be substituted for the State Plan if the Voluntary Plan matches the State Plan's benefits, provides at least one greater benefit, and costs the employee no more than the State Plan. Employers and employee groups may establish Voluntary Plans with mutual consent of the employer and a majority of the employees. The Voluntary Plan assessment rate is 14 percent of the DI State Plan contribution rate. In 2023, with the State Plan tax rate at 0.9 percent, Voluntary Plan employers are assessed 0.00126 (14 percent of 0.009) of taxable wages. These assessments are used to reimburse the DI Fund for the amounts paid for administrative costs arising out of voluntary plan oversight. "Other Receipts" also includes reverted checks, which are monies that were not cashed by the claimant and are deposited back into the Fund.

TOTAL DISBURSEMENTS

***Net Benefits*:**

This is the amount of benefits paid to claimants, less the amount of cancellations, refunds, or liens. Total benefits may be reduced for various reasons, including: death of claimants; repayment by claimants of benefits erroneously claimed; repayments to the DI Fund by other programs; and benefit checks not cashed.

Administration and Miscellaneous Disbursements:

All disbursements from the DI Fund that are not benefit payments fall into the administration category. This includes disbursements for salaries, equipment, supplies, rent, and utilities. Miscellaneous disbursements include Pro Rata, Victims Compensation Board payments, surcharge fees from the Board of Control Claims and Generally Accepted Accounting Principles (GAAP) reporting costs. Miscellaneous disbursements also includes SB 84 which requires all funds that contribute to retirement contributions to repay interest and principal on the Surplus Money Investment Fund loan.

STATE PLAN CLAIMS DATA

First Claims Paid:

These are the first benefit payments mailed to each claimant who has fulfilled non-monetary, monetary, and medical requirements and who has filed a claim certifying the onset of a disability.

Weeks Paid Per First Claims Paid:

The average number of weeks that benefits are paid for each first claim paid.

Maximum Weekly Benefit Amount (MWBA):

This is the amount payable per week for the period of a disability. The MWBA increases by an amount equal to the percentage increase in the state average weekly wage (SAWW) as compared to the prior year. The MWBA was $1,540 in 2022, $1,620 in 2023, and is projected to remain $1,620 in 2024 and $1,620 in 2025 based on the 2023/Q1 SAWW decreasing from the prior year. Section 4453(a) of the California Labor Code reads: "…the limits specified in this paragraph shall be increased by an amount equal to the percentage increase in the state average weekly wage as compared to the prior year. (The) 'state average weekly wage' means the average weekly wage paid by employers to employees covered by unemployment insurance as reported by the United States Department of Labor for California for the 12 months ending March 31 of the calendar year preceding the year in which the injury occurred."

The following table compares the MWBA and the AWBA for CY 2015 – 2025:

YEAR	MWBA	AWBA
2015	$1,104	$493
2016	$1,129	$513
2017	$1,173	$540
2018	$1,216	$588
2019	$1,252	$626
2020	$1,300	$678
2021	$1,357	$720
2022	$1,540	$751
2023	$1,620	$813(F)
2024	$1,620(F)	$850(F)
2025	$1,620(F)	$976(F)

(F) = Forecast

Section 2655 of the California Unemployment Insurance Code states that for periods of disability commencing on and after January 1, 2018, but before January 1, 2025, a claimant's WBA is fifty dollars ($50) if the base period high quarter wage (HQW) is less than $929. If the HQW is $929 or more and is less than one-third of the state average quarterly wage (SAQW), the WBA is equal to 70 percent of the HQW divided by 13 ((HQW x .70)/13). If the HQW is one-third of the state average quarterly wage or more, the WBA is either 23.3 percent of the state average weekly wage or 60 percent of the HQW divided by 13 , or ((HQW x .60)/13), whichever amount is higher.

For periods of disability commencing on and after January 1, 2025, a claimant's WBA is fifty dollars ($50) if the base period HQW is less than $722.50. If the HQW is more than $722.50, but 70 percent or less than the SAQW, the WBA is equal to 90 percent of the HQW divided by 13 ((HQW x .90)/13). If the HQW is more than 70 percent of the SAQW, the WBA shall be equal to the greater of 70 percent of the HQW divided by 13 ((HQW x .70)/13) or 63 percent of the SAWW. The WBA cannot exceed the maximum worker's compensation temporary disability indemnity weekly benefit amount established by the Department of Industrial Relations pursuant to Section 4453 of the Labor Code.

COVERED EMPLOYMENT AND WAGES

Total Average Covered Employment:

Employers count the number of employees on their payrolls during the week, which includes the 12th day of the month. Quarterly and annual averages are taken from these counts.

Total Average Weekly Wage:

To derive the average weekly wage, total wages are divided by covered employment, and the result is then divided by the number of 5-day work weeks in the period. The number of work weeks varies from 12.8 to 13.2 in a quarter and from 52.1 to 52.3 in a year.

Total Covered Wages:

Covered wages are wages earned by employees subject to the SDI provisions defined in Part 2 of the CUIC. Total covered wages include tips, commissions, bonuses, and the reasonable cash value of all remuneration payable to an employee in any medium other than cash.

State Plan Taxable Wages:

The portion of covered wages from which SDI contributions are taken.

Tax Rate:

The rate at which workers' contributions are determined.

Section 984(2)(A) of the CUIC defines the statutory formula for calculating the SDI Contribution rate which considers fund conditions and cost rate with a year-ending date of September 30. The SDI contribution rate formula is as follows:

$$\frac{1.30 \times \text{Disbursements} - \text{Fund Balance}}{\text{State Plan Taxable Wages}}$$

An ad hoc Advisory Committee, comprised of labor and employer representatives, worked with the Department and independent actuaries to develop this experience-based contribution formula to maintain a prudent reserve, reflect benefit costs, and avoid excessive volatility and instability.

Based on section 984(a)(3) of the CUIC, the rate of worker contributions shall not exceed 1.5 percent or be less than 0.1 percent. The rate of worker contributions shall not decrease from the rate in the previous year by more than two-tenths of one percent. Per section 984(d) of the CUIC, the Director may, at his or her discretion, increase or decrease, by not to exceed 0.1 percent, the rate of worker contributions determined by the above formula.

Taxable Wage Ceiling:

This is the upper limit of wages in a calendar year subject to SDI contributions. Section 985 of the CUIC requires the taxable wage ceiling to be four times the MWBA multiplied by 13 and divided by 55 percent: ((4 x MWBA x 13) / .55).The taxable wage ceiling was $145,600 in 2022 and is $153,164 in 2023. SB 951 [Chapter 878, Statutes of 2022], removes the Taxable Wage Ceiling requirement beginning January 1, 2024. Therefore, State Plan Total Wages will be used as of 2024 and beyond.

Unemployment Rate (Civilian):

The number of unemployed persons in California expressed as a percentage of the total number of persons in the California civilian labor force.

The DI Fund Forecast report can be accessed at the following website:
http://www.edd.ca.gov/About_EDD/Quick_Statistics_Overview.htm