



# Unemployment Insurance Trust Fund Report

Outlook Report July 2020

## THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of June 30, 2020, the preliminary Massachusetts Unemployment Insurance Trust Fund ending balance was -\$212.2 million. This balance is the sum of the preliminary private contributory account balance of -\$352.8 million and the governmental contributory account balance of \$140.6 million.

## THE UNEMPLOYMENT INSURANCE TRUST FUND OUTLOOK FOR 2020

The private contributory account projections for 2020 are based on the following: (1) the 2020 distribution of employer experience rates; (2) the April 2020 Moody's Analytics Data Services economic forecasts; and (3) unemployment insurance claims and payments activities through first quarter 2020. The projections remain as published in the May and June 2020 Outlook Reports.

Employer contributions on tax rate schedule E, as triggered, and a \$15,000 taxable wage base are estimated to be \$1.585 billion in 2020. As a result of the significant increases in unemployment due to the Covid-19 pandemic, benefit payments are projected to be \$6.392 billion. The 2020 private contributory year-end balance is estimated to be insolvent at -\$3.194 billion. Massachusetts needed to borrow \$159.9 million from the federal unemployment account for the month of June and will continue to borrow throughout the year. The loans will be interest-free through December 2020.

## 2020 ACTIVITY TO DATE

June's preliminary employer contributions of \$12.0 million generated a year to date total of \$1.102 billion, \$32 million less than 2019 collections through second quarter and \$48 million lower than expected. The difference may be caused by the 60-day deferral of employer contributions due in the second quarter.

Year to date preliminary benefit payments of \$3.294 billion through June 2020 were \$2.588 billion higher than those paid in the same time span in 2019 and \$158 million more than the latest projection. Due to the Covid-19 pandemic year-to-date initial claims and total weeks compensated were 682 percent and 363 percent higher as compared to last year's totals through second quarter, respectively.

As a result of the differences between employer contributions and benefit payments, the June 30, 2020 private contributory account balance of -\$352.8 million was \$20.6 million less than the projection of -\$373.4 million at the end of June. It should be noted that the actual trust fund balance includes almost \$19 million in emergency unemployment relief (FUA). The 2020 year-end balance projection remains at -\$3.194 billion.

## 2021 – 2024 PROJECTIONS

Projections for the private contributory account for the years 2021 to 2024 remain as published in the May and June 2020 Outlook Reports. The taxable wage base remains at \$15,000. Massachusetts will need to rely on interest bearing advances from the federal unemployment insurance throughout the outlook period.

For 2021, tax rate schedule G is projected to trigger for employer contributions. Employer contributions are estimated to be \$2.151 billion and benefit payments projected at \$5.127 billion. By the end of 2021, the private contributory account balance is expected to be insolvent at -\$6.170 billion. Private contributory employer's federal unemployment taxes will increase \$21 per employee due to outstanding advances at the end of 2020 and 2021 and not paid back by November 10, 2020.

Tax rate schedule G is again projected to trigger for employer contributions on 2022 payrolls. Employer contributions are projected to be \$2.407 billion and benefit payments estimated at \$2.849 billion. The year-end private contributory balance will continue to be insolvent at -\$6.613 billion.

For 2023, employer contributions are expected to remain on tax rate schedule G. Contributions are estimated to be \$2.499 billion with benefit payments projected at \$1.746 billion. Year-end private contributory balance still insolvent at - \$5.860 billion.

In 2024 employer payrolls will remain on tax rate schedule G and generate \$2.420 billion in contributions. Benefit payments are expected to be \$1.826 billion and a year-end private contributory fund balance at -\$5.266 billion.

Revised projections based on employer contributions and benefit payments through second quarter 2020 and the latest Moody's Analytics Data Services forecasts will be released in August.