

# **Unemployment Insurance Trust Fund Report**

## **Outlook Report March 2021**

#### THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of February 28, 2021, the preliminary Massachusetts Unemployment Insurance Trust Fund ending balance was -\$2.678 billion. This balance is the sum of the preliminary private contributory account balance of -\$2.811 billion and the governmental contributory account balance of \$133 million.

#### THE UNEMPLOYMENT INSURANCE TRUST FUND OUTLOOK FOR 2021

The private contributory account projections for 2021 are based on the following: (1) the preliminary 2021 distribution of employer experience rates; (2) the January 2021 Moody's Analytics Data Services economic forecasts; and (3) 2020 claims activities.

Employer contributions on tax rate schedule E, as set by legislation, and a \$15,000 taxable wage base remain estimated at \$2.037 billion and benefit payments are projected to be \$3.735 billion in 2021. The 2021 private contributory year-end balance is estimated to be insolvent at -\$4.066 billion. Massachusetts borrowed a total of \$2.2 billion in 2020 and \$10.8 million in January 2021 from the federal unemployment account and will continue to be needed throughout 2021 but will be interest-free through September 6, 2021. Interest on federal advances from September 7 through September 30, 2021, totaling \$6 million must be paid by September 30, 2021.

### 2021 ACTIVITY TO DATE

February's preliminary employer contributions of \$84.6 million generated a year to date total of \$140.7 million, \$16.6 million less than 2020 collections through February but at \$1.8 million lower is in-line with the projection of \$142.5 million.

Year to date preliminary benefit payments of \$603.5 million through February 2021 were \$328.6 million higher than those paid in the same two months in 2020 but just \$22.9 million less than the latest projection of \$626.4 million. Year to date initial claims and continued weeks claimed were 188 percent and 120 percent higher than last year's first two months totals, respectively.

As a result of the differences between employer contributions and benefit payments plus \$7.4 million in ARPA 2021 reimbursements, the February 2021 private contributory account balance of -\$2.811 billion was \$41 million more than the projection of -\$2.852 billion at the end of February.

#### 2022 - 2025 PROJECTIONS

Projections for the private contributory account for the years 2022 to 2025 remain as published in the February 2021 Outlook Report. Taxable wage base remains at \$15,000.

For 2022, tax rate schedule E was set by legislation for employer contributions. Employer contributions remain estimated to be \$2.030 billion and benefit payments projected at \$2.342 billion. The newly enacted legislation, also, provides for an employer surcharge to pay the interest on federal advances that cannot be paid from the state's UI Trust Fund and authorizes the Commonwealth to issue bonds to restore trust fund solvency in 2022. An estimated \$6 billion bond pays off the federal advances by November 9, 2022 resulting in a year-end positive balance of \$1.622 billion. Interest due on advances is estimated at around \$122 million will be due in September 2022.

For 2023 rate schedule G is projected to trigger for employer contributions as the fund is still insolvent at the end of third quarter 2022 when rates are determined. Employer contributions are projected at \$2.674 billion and benefit payments estimated at \$1.273 billion. The year-end 2023 private contributory account balance will continue to be solvent and is projected at \$3.044 billion.

The solvent account balance and higher payrolls are now projected to trigger schedule C for 2024 employer payrolls. Employer contributions are estimated at \$1.666 billion and benefit payments projected to be \$1.229 billion. Year-end 2024 private contributory account balance is projected at \$3.513 billion.

For 2025, employer payrolls are projected to remain on tax rate schedule C and generate \$1.663 billion in employer contributions. Benefit payments are projected at \$1.311 billion and a year-end balance solvent at \$3.871 billion.

This report is submitted to the Legislature in accordance with the provisions of Chapter 151A, section 14F of the General Laws. For more information please call: (617) 626-6600