



Unemployment Insurance Trust Fund Report

Trust Fund Update January 2022

THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of December 31, 2021, the preliminary Massachusetts Unemployment Insurance Trust Fund (“UI Trust Fund”) ending balance was \$2.85 billion.

The \$2.85 billion total balance includes \$415 million in employer credits that resulted from downward rate adjustments made in mid-2021 following the passage of legislation resolving the treatment of COVID-related UI claims. These credits reflect payments made by employers early in 2021 at unadjusted rates before the effective date of the legislation. These credits will be used to offset future payment obligations of those employers, which will have the effect of decreasing net assessment revenue in 2022.

Additionally, during the early months of the pandemic, the Commonwealth elected to draw Title XII Advances from the federal government beginning in June 2020 and ending in April 2021 to pay benefit claims. As of December 31, 2021, Massachusetts currently has approximately \$2.3 billion in outstanding loan obligations to the federal government under the Title XII Advance program. These loan amounts do not affect the UI Trust Fund balance, but are liabilities of the Commonwealth’s UI system.

The UI Trust Fund balance reflects two substantial, positive, one-time adjustments in calendar year 2021 that added a total of \$678 million to the fund balance. In coordination with the United States Department of Labor, on May 25, 2021, the Commonwealth directed a transfer of \$316 million of federal funds to the UI Trust Fund, to reimburse the fund for claims for which payment had been drawn from the UI Trust Fund that were eligible to be charged to various federally funded COVID-related programs. On July 8, 2021, the Commonwealth coordinated with the U.S. Department of the Treasury to transfer the amount of \$362 million in excess withholding funds back to the Unemployment Insurance Trust Fund from the Commonwealth’s Benefit Payment Account to reverse the over-withdrawal.

In addition to the two adjustments totaling \$678 million above, which are already reflected in the reported UI Trust Fund balance, the Commonwealth has identified an issue that is likely to require additional adjustment in the amount of approximately \$300 million in reimbursement to the federal government to address the return of payments initially issued from federally funded COVID-related benefit programs. A total of \$318 million in benefit payments were returned to the UI Trust Fund’s Benefit Payment Account due to automated bank returns of benefits that had been

transferred directly to individual claimant bank accounts for various state and federally funded unemployment related programs during the period from April 2020 through November 2021. These returned benefit payments were not reconciled to original funding sources on initial receipt and instead were used to fund new claims directly from the Benefit Payment Account during the period specified. The Commonwealth is now working with an outside consultant to perform an independent assessment, review these issues and recommend corrective actions, including the proper accounting of bank returned funds, and repayments, as appropriate to the original funding sources. Current indications are that approximately 90% of the \$318 million in bank returns came from federal sources, which in a conservative application would result in approximately \$300 million return of funds to federal funding sources. It is expected that this resolution could require an adjustment of the UI Trust Fund balance.

The UI Trust Fund Balance does not reflect the \$500 million transfer of funds approved by the Legislature in Chapter 102 of the Acts of 2021, enacted on December 13, 2021.

2021 ACTIVITY TO DATE

December’s employer contributions of \$4.1 million generated a year-to-date total of \$2.15 billion, \$482 million more than 2020 collections through December. Included in this is \$137.5 million of COVID assessments collected to date with \$117 million collected in FY 2021 and \$20.5 million collected in FY 2022. In May 2021 legislation was enacted which included a new COVID specific employer charge, the COVID-19 Recovery Assessment, to begin to recover the charges to the COVID-19 Employer Relief Account. The COVID-19 Recovery Assessment is intended to reduce the impact of COVID-related charges to employers’ UI rates by recovering these costs over time.

As noted above, Massachusetts currently has approximately \$2.3 billion that was borrowed between 2020 through 2021 from the Federal Unemployment Account/Title XII Advances. The Federal Unemployment Account (FUA) provides repayable advances to States whose State UI account becomes insolvent. Between June and December of 2020, Massachusetts borrowed a total of \$2.2 billion. Between January and April of 2021, Massachusetts borrowed an additional \$66.8 million. The entire \$2.3 billion of borrowed funds were interest-free through September 6, 2021. From September 7 through December 31, 2021, interest owed on federal advances totaled approximately \$13 million.

Over 2020 and 2021 (through December 31, 2021), Massachusetts DUA paid over \$33.5 billion in total state and federal benefits. In calendar year 2020, DUA paid \$21.3 billion in benefits and in calendar year 2021, DUA paid \$12.2 billion in benefits.

Additional federal funding of \$4.78 million in December paid for 75 percent of the private non-profit reimbursable employer benefit costs.

It is anticipated that updated projections based on revised 2021 fund activity and the most recent Moody's Analytics Data Services forecasts on unemployment rates, labor force and wage and salary growth rates are expected to be released in the February 2022 Outlook Report.