



Department of Unemployment Assistance Overpayments Report: 2020-2021

Submitted by:

Executive Office of Labor and Workforce Development, Department of Unemployment
Assistance

Overview

The COVID-19 pandemic has had a significant impact on the United States workforce and starkly increased the need for unemployment assistance in 2020 and 2021. In 2020, in response to the impact of the pandemic on employers and workers, the United States Congress enacted a series of new Unemployment Insurance programs to be administered by the states alongside traditional Unemployment Insurance (UI). Additionally, in August 2020, the federal government made additional Federal Emergency Management Agency (FEMA) funding available for states to administer a short-term Lost Wages Assistance (LWA) program.

These federal programs included:

- **Pandemic Unemployment Assistance (PUA)**
 - Effective 2/2/2020 – 9/4/2021, PUA provided up to 79 weeks of benefits to individuals who were self-employed, seeking part-time employment, or otherwise would not qualify for regular unemployment compensation (UC) or extended benefits under state or federal law or Pandemic Emergency Unemployment Compensation (PEUC). Coverage includes individuals who have exhausted all rights to regular UC or extended benefits under state or federal law or PEUC and who are affected by COVID-19.
- **Federal Pandemic Unemployment Compensation (FPUC)**
 - Provided individuals who were collecting regular UC, PEUC, PUA, Extended benefits (EB), and certain other forms of unemployment compensation with an additional \$600 per week from 3/29/2020-7/25/2020, as long as the claimant was entitled to at least one dollar of benefits in the relevant week.
 - Provided individuals who are collecting benefits as described above with an additional \$300 per week from 12/27/2020 through 9/4/2021.
- **Pandemic Emergency Unemployment Compensation (PEUC)**
 - Provided up to 13 weeks of benefits to individuals who exhausted regular UC under state or federal law, had no rights to regular UC under any other state or federal law, were not receiving compensation under the UC laws of Canada, and are able to work, available for work, and actively seeking work. However, DUA waived work search requirements for regular UI claimants from March 2020 to June 15, 2021.
- **Mixed Earner Unemployment Compensation (MEUC)**
 - Provided an additional \$100 per week, in addition to FPUC payments, for claimants with at least \$5,000 in self-employment income in the previous tax year. Eligible claimants under the program must be receiving an unemployment benefit from traditional unemployment, including PEUC and EB. Claimants receiving PUA were excluded from the program.
 - MEUC was effective 12/27/2020-9/4/2021.

- **Lost Wages Assistance (LWA)**
 - Provided individuals who are collecting at least \$100 in regular UC, PEUC, PUA, Extended benefits (EB), Short-Time Compensation (STC), with an additional \$300 per week, effective for the weeks 8/1/2020-9/5/2020.
 - The LWA program was provided as a grant, which the Commonwealth applied for through Federal Emergency Management Agency (FEMA).
- **Extended Benefits (EB)**
 - Provided up to 13 weeks of benefits to individuals who exhausted regular UC under state or federal law, had no rights to regular UC under any other state or federal law, exhausted PEUC, regular UC benefit year ended on or after May 9, 2020, were not receiving compensation under the UC laws of Canada, and are able to work, available for work, and actively seeking work. However, states must offer flexibility in meeting the “actively seeking work” requirement if individuals are unable to search for work because of COVID-19, including because of illness, quarantine, or movement restriction. Extended Benefits triggered on May 3, 2020 and triggered off on July 17, 2021.

During the pandemic, the Department of Unemployment Assistance (DUA) took steps to prioritize the speedy distribution of benefits in order to meet the needs of workers in Massachusetts. In 2020, DUA paid over \$21 billion in benefits to almost 2.25 million claimants, and in 2021, DUA paid nearly \$12 billion in benefits to over 1.7 million claimants, totaling over \$33 billion in benefits paid during 2020-2021. In comparison, in 2019, DUA paid out \$1.4 billion in benefits to approximately 400,000 claimants.

The implementation of new programs, alongside a steep rise in the total volume of claims in 2020-2021, has led to an increase in the number of total overpayments in the DUA system. Current and historic overpayments in the unemployment system are driven by multiple reasons such as employer disputes regarding circumstances of separation or inadequate documentation verifying employment eligibility. These circumstances often trigger a change in benefit eligibility for the claimant and result in previously-processed benefit payments becoming ineligible and thus, an overpayment. However, despite the increase in overpayments due to a steep rise in claims, outstanding overpayments only represent 6.9% of the total benefits paid out to claimants. In comparison, the percentage of overpayments in 2019 was 1.9% of the total benefits paid out to claimants. As illustrated in the report below, overpayments are highly concentrated within the PUA program, a new program created in 2020 that was administered without the traditional employment relationship, which accounts for the slight increase in the proportion of overpayments versus all benefits paid.

DUA is required by state law and the United States Department of Labor (USDOL) to assess and recoup finalized overpayments. According to the rules outlined by USDOL, in the case of non-fraudulent overpayment cases, DUA has three methods of recovery:

- Voluntary standard payment plans;
- Intercept of state and federal income tax refunds;
- And partial offsets of future UI benefits paid to a claimant.

Please note, however, that due to the impacts of the pandemic on unemployment claimants, the Department of Unemployment Assistance has paused most of its regular collection activities and has not made any tax intercepts in calendar year 2021 or 2022. DUA will not resume state and federal tax intercepts in calendar year 2022.

It is important to note that a significant percentage of the outstanding overpayments are for claimants with identity verification issues—likely tied to fraudulent claims:

- 72.2% of outstanding regular UI overpayments are due to identity verification issues, totaling \$266,395,250.39 in state dollars and \$137,917,911.00 in federal dollars.
- 30.75% of outstanding PUA overpayments are due to identity verification issues, totaling \$310,761,996.48 in federal dollars.

Overpayment Collections

In view of the extraordinary circumstances resulting from the pandemic, DUA has paused most of its regular collection activities and is only collecting payment from claimants if the claimant voluntarily enters into a repayment plan or elects to repay DUA in full, or, in the limited number of cases that meet the required criteria, through partial benefit offsets for new claims where a claimant files a new claim and re-enters the UI system.

Additionally, DUA does not impose fees, penalties, or interest charged to claimants on non-fault overpayments. The department does not pursue methods including court filings, garnishing wages, or implementing credit report consequences to recoup non-fault overpayments. Collections are paused for all cases that are on appeal or where a claimant has a pending waiver request. Finally, offsets are occurring only in the regular UI program for previously overpaid benefits, the majority of which are pre-pandemic issues.

DUA remains committed to working with claimants to resolve overpayments associated with emergency unemployment programs implemented in 2020 and 2021. Since March 2020, DUA has provided substantial relief for claimants who have been identified as receiving apparent overpayments, resolving approximately \$1.8 billion in apparent overpayments.

Overpayment Waivers

Starting the week of January 24th, DUA launched a campaign to inform claimants with overpayments about the opportunity to apply for a waiver. As a part of the campaign, DUA:

- Launched an overpayment waiver request webpage: <https://www.mass.gov/info-details/learn-about-overpayment-waivers>
- Added waiver information into notices advising claimants of determinations or decisions resulting in overpayment findings; and
- Issued a letter to all claimants with overpayment balances outstanding to promote the option to request a waiver.

DUA will continue the waiver campaign to further promote waivers.

Report Details

The following report regarding unemployment overpayments has been produced as required by MGL Section 23 of Chapter 22 of the Acts of 2022. The report provides a detailed accounting of all estimates for the number of individuals and cost of overpayments that occurred in calendar years 2020 and 2021 as a result of benefits dispersed under chapter 151A and federal programs including, but not limited to, Pandemic Unemployment Assistance (PUA), Pandemic Emergency Unemployment Compensation (PEUC), federal Extended Benefits (EB), Federal Pandemic Unemployment Compensation (FPUC), Mixed Earner Unemployment Compensation (MEUC), and Lost Wages Assistance (LWA).

Below is a detailed account of all requested data concerning overpayments. Please note that the data accounts for the following time period: March 8, 2020 to January 31, 2022.

Overpayment Data: 2020-2021

The below data accounts for the time period of March 8, 2020 to January 31, 2022 and is divided by “regular UI” and “PUA” claimants. PUA overpayments may also include LWA and/or FPUC. All other claimants are represented in the “regular UI” category. “Regular UI” overpayments include both state and federal dollars as regular UI claimants may have received federal dollars through FPUC, LWA, MEUC, and PEUC.

As noted above, a significant percentage of both the regular UI and PUA claimant data includes overpayments for claimants with identity verification issues—likely tied to fraudulent claims:

- 72.2% of outstanding regular UI overpayments are due to identity verification issues, totaling \$266,395,250.39 in state dollars and \$137,917,911.00 in federal dollars.
- 30.75% of outstanding PUA overpayments are due to identity verification issues, totaling \$310,761,996.48 in federal dollars.

Overpayment Waivers

i. The number of individuals in overpayment, by program.

There are 200,953 Regular UI claimants and 151,523 PUA claimants with outstanding overpayments.

ii. The number of waiver requests filed, including the number of waiver requests granted or denied and including reasons for denials and approvals.

Currently, according to state statute, DUA has authority to waive an overpayment if:

- The overpayment was not your fault; **and**
- Your income is less than your expenses; **or**
- You used the money for things that were not ordinary expenses, like paying off a debt; **or**

- You gave up other money (such as SNAP and TANF) because you got unemployment benefits.

Claimants must provide supporting documentation to DUA, who then evaluates the waiver requests. Waiver requests are denied if the request does not meet the above criteria.

For Regular UI, there have been 16,398 waiver requests, with 14,991 pending requests, 490 approvals, and 917 denials.

For the PUA program, there have been 32,501 waiver requests, with 13,699 pending requests, 17,250 approvals, and 1,552 denials.

With regards to overpayments relating to identity verification issues, DUA has received very few waiver requests because these overpayments are not associated with legitimate claimants. DUA does not expect to receive many waiver requests from this category of claimants.

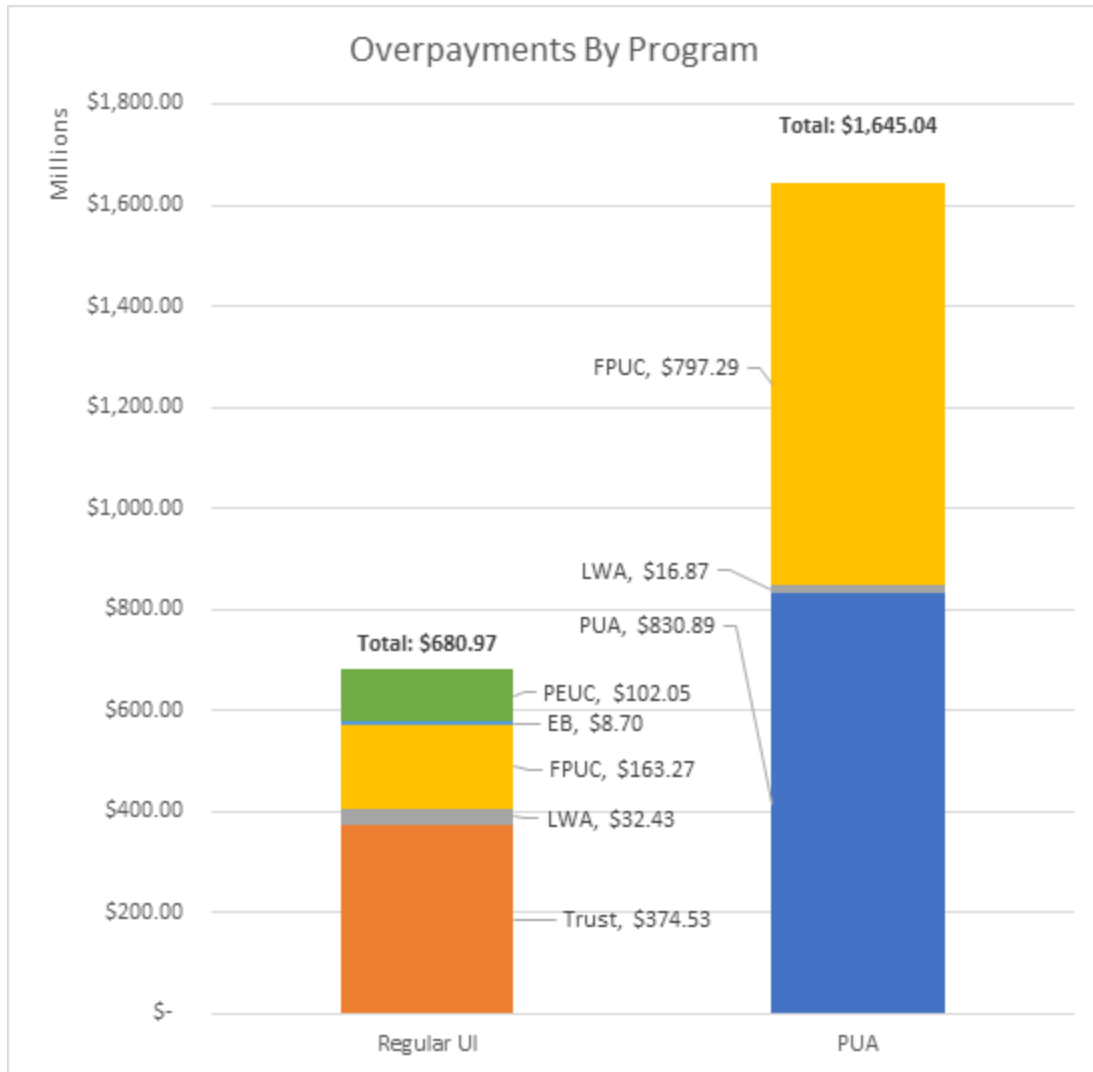
Overpayments by Program & Overpayment Appeals

- iii. The number of appeals pending from overpayment denials and qualification determinations.

There are 8,420 pending appeals related to overpayments for Regular UI and 18,139 pending appeals for PUA.

- iv. The dollar amount of overpayment for each program.

The below chart outlines the outstanding dollar amount of overpayments for each program. Dollars paid from the Unemployment Insurance Trust Fund (listed as “Trust”) on the chart are state dollars. All other programs were federally funded.



v. The estimate of expected recovery for each of the programs.

Based on current trends, which exclude identity verification issues, the expected recovery rate for both Regular UI and PUA is 12%. If identity verification issues are included in the calculation, the expected recovery rate drops to 5.4% for Regular UI and 10% for PUA.

vi. An estimate of the cost for the department to adjudicate waivers and appeals as a result of denied waivers.

Based on staffing costs covered under existing staffing resources, the department estimates \$50/request for waiver processing and \$150/request to address appeals on waiver denials.

vii. The estimated cost for taking action to recover such amounts;

Based on staffing costs, the department estimates \$50/year for taking action to recover each individual overpayment.

Demographic Information

viii. The median and average income of all individuals subject to overpayment and a stratification of individuals in income brackets.

The median annual income of all individuals subject to an overpayment is between \$52,001-\$62,400 for regular UI and PUA. The average annual income of all individuals subject to an overpayment is \$49,722.48 for regular UI and \$29,938.72 for PUA.

Approximate Earnings	Regular UI Claimants	PUA Claimants
\$0-\$27,800	65,408	138,098
\$27,872 - \$31,200	8,145	3,683
\$31,201 - \$41,600	20,927	3,277
\$41,601 - \$52,000	15,657	2,025
\$52,001 - \$62,400	12,531	1,374
\$62,401 - \$72,800	10,205	874
\$72,801 - \$83,200	9,141	617
\$83,201 - \$88,920	4,520	1,575
> \$88,920	54,419	0
TOTAL	200,953	151,523

ix. Demographic information about the individuals above.

Gender	Regular UI	PUA
Male	98,585	82,546
Female	102,346	61,657
Unknown/Not Reported	22	7,320
TOTAL	200,953	151,523

Ethnicity	Regular UI	PUA
Hispanic or Latino	24,751	31,176
Not Hispanic or Latino	160,652	84,385
Unknown/Not Reported	15,550	35,962
TOTAL	200,953	151,523

Race	Regular UI	PUA
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Asian	7,075	4,856
Asian Pacific	N/A	171
African American	19,746	31,240
American Indian	3,432	1,609
Pacific Islander	728	901
White	138,810	81,621
Unknown/Not Reported	31,890	31,125
TOTAL	200,953	151,523

Disabled	Regular UI	PUA
Yes	4,479	9,991
No	196,474	141,532
TOTAL	200,953	151,523

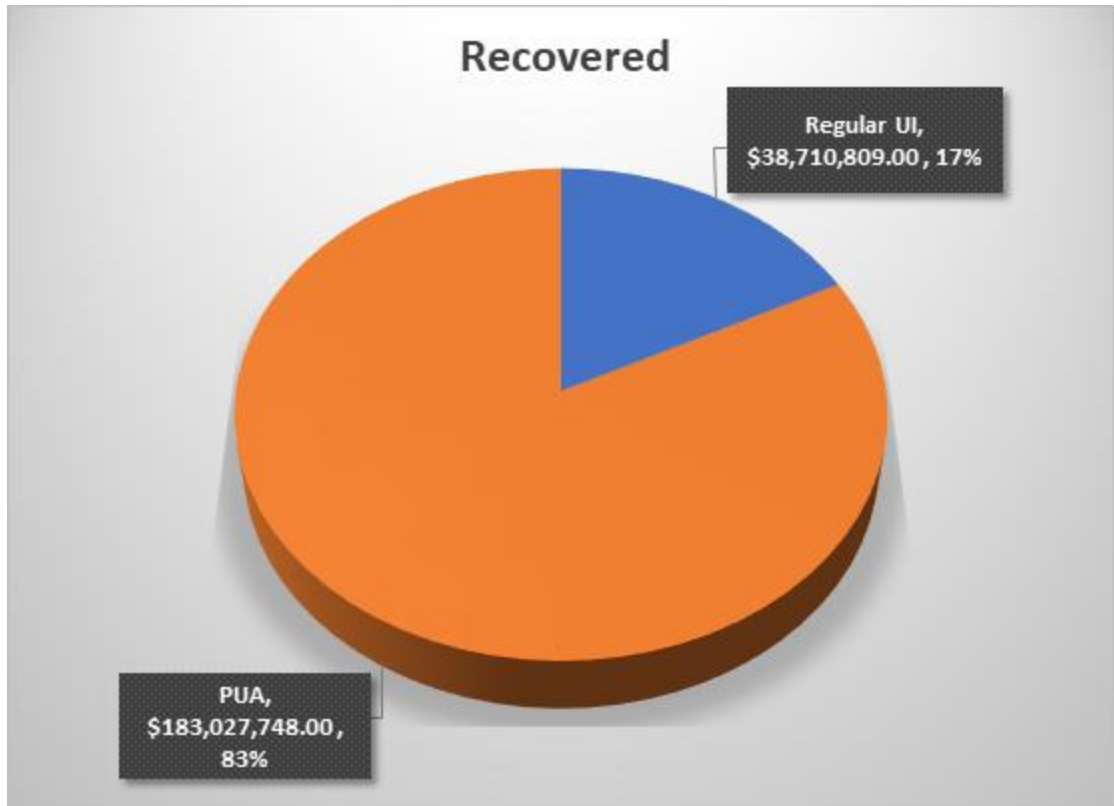
Veteran	Regular UI	PUA
Yes	3,474	3,065
No	197,479	148,458
TOTAL	200,953	151,523

Recovery Efforts

x. The number of individuals who have already repaid overpayments.

There are 55,378 Regular UI and 7,772 PUA claimants who have either fully/partially repaid or are on a repayment plan.

xi. The amount of money collected from recovery efforts for each program.



xii. An estimate of the tax rate for the 2023 tax year for employers should recovery of overpayments not occur.

Any state dollars recovered will have a positive impact on the UI trust fund, which in turn will have a positive impact on the employer rate tax schedule.

Outstanding overpayments in the PUA program have no impact to employers' 2023 tax rates because PUA is 100% federally funded.