

Unemployment Insurance Trust Fund Report

Trust Fund Update May 2022

THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of April 30, 2022, the preliminary Massachusetts Unemployment Insurance Trust Fund ("UI Trust Fund") ending balance was \$2.59 billion. This was a slight decrease from the UI Trust Fund ending balance as of March 31, 2022, which was \$2.64 billion.

There are \$273.75 million of remaining employer credits in the UI Trust Fund that are expected to be claimed as a credit against future payables, and are therefore projected to reduce 2022 or 2023 contributions. These employer credits reflect payments made by employers at unadjusted 2021 rates before the passage of Chapter 16 of the Acts of 2021, which was enacted on May 28, 2021 (Chapter 16). This legislation resolved the treatment of COVID-related Unemployment Insurance (UI) claims and created a downward rate adjustment effective during the 2021 assessment year while it was already underway. Payments made by employers at the higher, unadjusted 2021 rates were credited with the difference between their actual payment and the new, adjusted rates. Employer 2022 payment obligations will be offset by any outstanding credits, which is expected to reduce net revenue in 2022 and future years.

During the COVID-19 pandemic, Massachusetts borrowed a total of approximately \$2.27 billion under the Federal Advance program (FUA). The Department of Unemployment Assistance (DUA) repaid a \$500 million portion of the outstanding FUA loan on March 25, 2022. As of April 30, 2022, the remaining FUA loan balance was approximately \$1.77 billion. The FUA loan (\$2.27 billion) was interest-free through September 6, 2021 due to federal initiatives to support states during COVID-19. On September 30, 2021, the Commonwealth paid \$3.40 million in interest, representing amounts accrued from September 7, 2021 to September 30, 2021. From October 1, 2021 to April 30, 2022, interest accrued on the FUA loan totaled approximately \$24.11 million. Interest is payable each September 30.

2022 ACTIVITY TO DATE

Employer contributions to the private contributory system are payable quarterly. Payments are due within one calendar month of the end of each quarter: April 30 (1st Quarter), July 31 (2nd Quarter), October 31 (3rd Quarter), and January 31 (4th Quarter). In calendar year 2021, April 30, 2021 fell on a weekday. However, April 30, 2022 fell on a Saturday and the first quarterly payment for April 30, 2022 was due on Monday, May 2, 2022. Therefore, a portion of the employer contributions attributable to the 1st calendar quarter are expected to be collected on a cash basis in May 2022 and will be reported in the Monthly Report on June 15, 2022.

April 2022 employer contributions of \$91.36 million are lower than the comparable month of April 2021, which was \$1.31 billion.¹ As described above, Chapter 16 was enacted in May 2021 and adjusted rates downward retroactively to the beginning of the 2021 assessment year. Actual April 2021 employer contributions, which were collected at the original higher rates, included over \$600 million of credits created by the mid-year rate adjustment. By comparison, April 2022 employer contributions reflect the lower contribution rates currently in effect and were further reduced by some employers' use of credits against current payment obligations.

COVID-19 Recovery Assessment

The April 2022 employer contributions include \$9.21 million of COVID-19 Recovery Assessments collected through April 24, 2022.

¹ Employer contributions in this monthly report are reported on an actual cash basis as of April 30, 2022. Amounts published herein may differ from amounts published on TreasuryDirect, due to timing differences.

Chapter 9 of the Acts of 2021 as amended (Chapter 9) authorized the issuance of special obligation bonds to repay the COVID-19 related FUA borrowing and restore solvency to the UI Trust Fund. Chapter 9 also authorized a new COVID-19 Recovery Assessment to implement a new COVID-19 related employer charge to pay for the debt service and other costs of the special obligation bonds. The COVID-19 Recovery Assessment and special obligation bonds are intended to reduce the short-term impact of COVID-related benefit costs on employer UI rates by spreading the recovery of COVID-related benefit costs over time. Like regular UI employer contributions, the COVID-19 Recovery Assessment applies to the employer's taxable wage base and is collected quarterly.

The COVID-19 Recovery Assessment was first collected in calendar year 2021, and collections totaling \$137.30 million were credited to the UI Trust Fund for calendar year 2021. The portion of the COVID-19 Recovery Assessment for calendar year 2022 collected from January 1, 2022 through April 24, 2022, inclusive, which totals \$20.24 million, was also credited to the UI Trust Fund.

From April 25, 2022 until the special obligation bonds are fully retired, the COVID-19 Recovery Assessments collected by DUA will be credited to the Special Contribution Unemployment Compensation Trust Fund instead of the UI Trust Fund, pursuant to Chapter 9. The Special Contribution Unemployment Compensation Trust Fund was created to facilitate the issuance of special obligation bonds.

Benefits and Claimants

In calendar year 2021, DUA paid \$12.24 billion in benefits for regular UI and Federal pandemic programs to over 1.7 million claimants. Year-to-date through April 30, 2022, DUA paid \$618.04 million in benefits for regular UI and Federal pandemic programs to over 175 thousand claimants.

DUA is expected to release an updated report on the status of the UI Trust Fund on June 15, 2022.

The amounts in this report are preliminary, unaudited, and subject to change.