

3 Suggested Options for UI Trust Fund Commission

Option 1: Amend Draft Report

1. Adjust Wage Base and Index. The wage base used to set unemployment insurance tax rates is currently limited to \$15,000, which represents 18 percent of the state's average annual wage. The amount was last increased in 2015. To ensure the long-term solvency of the fund, the inflow of money to the trust fund must keep pace with the outflow of money. Accordingly, **once the current bonding tax assessments are paid in full**, the wage limit should be adjusted in steps to catch up with inflation and then indexed to avoid future inflationary erosion. **Except in no year, should the wage base increase by more than the lesser amount of the CPI, or \$500.**

1a. Cap adjustments to the Maximum Weekly Benefit Amount. Annual increases to the maximum WBA should be capped at the lesser of the average weekly wage percent increase in the state, not to exceed \$20 in any year. (If the Commission members oppose 1a, then the indexing of the wage base should be eliminated).

(2. Reduce Experience Table. Massachusetts is outside the norm on ranges in an experience rate table with the highest being 18.55 percent. One of the reasons it is so high is because the taxable wage base has not increased at pace with the benefits that are paid out in a high wage state. The experience rate table should be reduced in concert with the increase in the taxable wage base to allow for moderate, manageable, and predictable revenue growth on a path toward long-term solvency measure of AHCM of 1.0.) **Consider deleting this recommendation in its entirety; the tax tables are properly experience rated. The issue is more about whether the Trust Fund balance triggers for the tax schedules is updated and adjusted with a higher wage base to ensure lower tax rate schedules (ie A) given the Trust Fund balance. Proper triggers will eliminate the need for the Legislature to step in to freeze or lower tax schedules.**

3. Require Two Quarter Eligibility. Most other states require two quarters of work in a base period to qualify for unemployment insurance. Requiring work in two quarters demonstrates an attachment to the workforce, and it allows the trust fund to receive more contributions before paying out benefits. Massachusetts should change eligibility standards to require work in two out of the previous four quarters in the base period.

(4. Charge Temporary Replacement Workers to the Solvency Account. Employers who have workers out on paid family or medical leave often need to hire replacement workers for a period of time. If the replacement work is long enough, the replacement worker may qualify for UI benefits. Those benefits could impact an employer's experience rating negatively even though the worker is temporary. Those benefits should be charged to the solvency account instead to allow employers to have the workforce they need, while also encouraging the employer to work with employees who need to take leave.) **Consider deleting since not discussed in Commission, and insufficient experience has occurred yet to determine fairest funding—solvency assessments or experience rated assessments.**

(5. Study the Financial Costs to Trust Fund of Creating a Minimum Benefit and Allow Workers with Fluctuating Wages to Calculate Eligibility on One Quarter. When calculating unemployment eligibility, the highest two quarters are used unless there are only two quarters, in which case a single quarter is used. Low-wage workers, especially those with fluctuating work schedules, qualify for extremely low benefits, as low as \$55 a week. To ensure that low wage workers are not disadvantaged by a change in work qualification, **DUA should study whether** UI should include a minimum benefit and calculate a benefit amount based upon the highest single quarter of work for low-wage workers with fluctuating schedules.) **Consider**

deleting in its entirety since it was never discussed with the Commission. Or change to a study as amended above. In said study, total family income of said low-wage workers should be examined, as well as new, post COVID fluctuating work habits, and the projected cost to the Trust Fund under both the current eligibility standards as well as under recommendation #3 to require 2 quarters of work attachment.

6. Promote and expedite the WorkShare Program. The WorkShare program is underutilized because it is not a well-known program. It helps to keep a business open and running while also allowing employees to be paid when their hours are reduced, while also reducing the burden on the unemployment trust fund. EOLWD should create a strategy to promote and expedite applications in the WorkShare Program to industries that would benefit from the program.

(7. Study Portable Benefits for Gig/1099 Workers. There should be a further study of portable UI benefits for gig economy/1099 workers.) ~~Delete in its entirety since the issue must first be addressed in Congress.~~

Option 2: Report on Work of Commission & Plan on Bonding

Report notes what was discussed, but given later action by the Legislature to authorize bonding to deal with COVID related Trust Fund deficits, further suggested action not currently timely or necessary.

Option 3: Expand Work of Commission to Look at Entire UI System

Extend and expand the mission of the Commission to look at all aspects of the UI system as is compared to 49 other states, including: Wage base & experience rating system; eligibility thresholds; benefit levels; duration of benefits; work search requirements during benefits; disqualification standards for misconduct and voluntary quits; DUA administration and technology status of the system; and the appropriate funding of the costs of overpayments and uncollectable fraud, whether that be the Trust Fund or the General Fund.