



# Unemployment Insurance Trust Fund Report

Monthly Outlook Report December 2009

## THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of November 30, 2009 the Massachusetts Unemployment Insurance Trust Fund balance was \$413.7 million. This balance is calculated by adding the private contributory account balance of \$304.2 million and the governmental contributory account balance of \$109.5 million.

## THE UNEMPLOYMENT INSURANCE TRUST FUND OUTLOOK FOR 2009

The private contributory trust fund projections for 2009 are based on the following: (1) the 2009 distribution of employer experience rates; (2) the September 2009 Moody's Economy.com economic forecasts; and (3) first through third quarter 2009 unemployment insurance claims and payment activities. The projections remain as published in the October Quarterly Outlook Report and the November Monthly Outlook Report.

Employer contributions are estimated to be \$1.407 billion in 2009. Benefit payments are projected to be \$2.731 billion. Federal interest and special incentive payment distributions of \$162.7 million provided by the American Recovery and Reinvestment Act (ARRA) will generate a 2009 year end private contributory account balance estimated to be -\$31 million and an overall Trust Fund balance of \$78 million.

## 2009 ACTIVITY TO DATE

Year-to-date, employer contributions of \$1.412 billion were 0.3 percent higher than contributions collected in the first eleven months of 2008. Employer contributions, which are \$8 million or 0.6 percent more than expected through the end of November, are already \$5 million higher than the \$1.407 billion total projected for 2009 caused by a higher than projected taxable payroll in the third quarter.

Benefit payments of \$2.400 billion through the end of November 2009 were 84 percent higher than those paid

in the same time period of 2008. Through November, initial claims were up 32 percent and continued weeks claimed were 56 percent and weeks compensated were 65 percent higher than in the same time period last year. Through the end of November, benefit payments are 1.4 percent or \$34 million less than expected due to over the year decreases in initial and new claims in the months of October and November.

Employer contributions plus the second ARRA incentive payment of \$108.5 million less benefit payments generated a November 30, 2009 private contributory account balance of \$304.2 million. The private account balance was \$42 million or 13.8 percent higher than projected due to the less than expected benefit payments in the months of October and November.

## 2010 – 2013 PROJECTIONS

The estimates for employer contributions and benefit payments for 2010 through 2013 remain as published in the October Quarterly Outlook Report and the November Monthly Outlook Report.

For 2010, benefit payments are estimated to be \$2.694 billion. Employer contributions, on rate schedule G, are estimated to be \$2.013 billion. Loans from the federal unemployment account would be required from mid January to early May and then again from mid June through December. The ARRA statute provides a waiver for any federal interest which would have been due on loans through the end of 2010. The year-end 2010 private contributory account balance is expected to be -\$712 million.

Benefit payments for 2011 are projected to be \$2.090 billion. Rate schedule G is projected to be triggered for employer contributions in 2011, generating revenues of \$2.023 billion. Interest bearing loans from the federal unemployment account are projected to be required during the year. Interest due on these loans is estimated to be \$27 million. The private contributory account year-end balance for 2011 is expected to be -\$778 million.

For 2012, benefit payments are projected to be \$1.512 billion. Employer contributions will be on rate schedule G and generate an estimated \$2.069 billion. Interest-

bearing loans from the federal unemployment account are projected to be required from January through July, again in September through October, and again in December. Interest due on these loans is estimated to be \$14 million. The December 31, 2012 account balance is estimated at -\$221 million.

In 2013, benefit payments are expected to be \$1.286 billion. Employer contributions based on rate schedule G are estimated to be \$1.950 billion. Interest free cash flow loans from the federal account are projected to be required from January to late April. Loans will be repaid by the end of April and no further borrowings will be necessary for the rest of the year. By the end of 2013, solvency will be restored to the private contributory account with a balance expected to be \$521 million or 0.33 percent of total payrolls.

The December 31, 2013 account balance includes receipts of \$68.1 million in funds from additional federal UI taxes on Massachusetts employers. The Federal Unemployment Tax Act (FUTA) requires that when a State has outstanding advances from the federal loan account on two consecutive January 1st and outstanding loans are not repaid by November 10 of the second year, additional federal UI taxes are imposed to repay the loans. The repayments are made by reducing the credit provided to employers when their State is in conformity with federal requirements. The so-called FUTA credit reduction would be paid no later than January 31 of the next calendar year. The additional FUTA taxes, \$21 per employee, are collected at the federal level and used to reduce the outstanding loans in the Massachusetts UI fund but are not credited to or used in experience rating.