



Unemployment Insurance Trust Fund Report

Outlook Report September 2020

THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE

As of August 31, 2020, the preliminary Massachusetts Unemployment Insurance Trust Fund ending balance was -\$1.336 billion. This balance is the sum of the preliminary private contributory account balance of -\$1.467 billion and the governmental contributory account balance of \$131 million.

THE UNEMPLOYMENT INSURANCE TRUST FUND OUTLOOK FOR 2020

The private contributory account projections for 2020 are based on the following: (1) the 2020 distribution of employer experience rates; (2) the July 2020 Moody's Analytics Data Services economic forecasts; and (3) unemployment insurance claims and payments activities through second quarter 2020. The projections remain as published in the August 2020 Outlook Report.

Employer contributions on tax rate schedule E, as triggered, and a \$15,000 taxable wage base remain estimated at \$1.498 billion and benefit payments are projected to be \$6.434 billion in 2020. The 2020 private contributory year-end balance is estimated to be insolvent at -\$2.483 billion. The year-end balance includes other income from the emergency unemployment relief fund (FUA) and an estimated \$615 million from the CARES ACT Reimbursement on first payments. Massachusetts needed to borrow \$1.356 billion from the federal unemployment account for the month from June to August and will continue to borrow throughout the year. The loans will be interest-free through December 2020.

2020 ACTIVITY TO DATE

August's preliminary employer contributions of \$23.7 million generated a year to date total of \$1.338 billion, \$137 million less than 2019 collections through August but at \$13 million higher is in-line with the projection of \$1.325 billion.

Year to date preliminary benefit payments of \$4.713 billion through August 2020 were \$3.809 billion higher than those paid in the same time span in 2019 and \$167 million more than the latest projection. Due to the Covid-19 pandemic year-to-date initial claims and total weeks compensated were 605 percent and 453 percent higher as compared to last year's totals through August, respectively.

As a result of the differences between employer contributions and benefit payments, the August 31, 2020 private contributory account balance of -\$1.467 million was \$84 million less than the projection of -\$1.383 million at the end of August. It should be noted that the August trust fund balance includes over \$39 million in emergency unemployment relief (FUA). The 2020 year-end balance projection remains at -\$2.483 billion.

2021 – 2024 PROJECTIONS

Projections for the private contributory account for the years 2021 to 2024 remain as published in the August 2020 Outlook Reports. The taxable wage base remains at \$15,000. Massachusetts will need to rely on interest bearing advances from the federal unemployment insurance throughout the outlook period.

For 2021, tax rate schedule G is projected to trigger for employer contributions. Employer contributions remain estimated to be \$2.464 billion and benefit payments projected at \$4.817 billion. By the end of 2021, the private contributory account balance is expected to be insolvent at -\$4.836 billion. Private contributory employer's federal unemployment taxes will increase \$21 per employee due to outstanding advances at the end of 2020 and 2021 and not paid back by November 10, 2022.

Tax rate schedule G is again projected to trigger for employer contributions on 2022 payrolls. Employer contributions are projected to be \$2.522 billion and benefit payments estimated at \$2.852 billion. The year-end private contributory balance will continue to be insolvent at -\$5.166 billion.

For 2023, employer contributions are expected to remain on tax rate schedule G. Contributions are estimated to be \$2.508 billion with benefit payments projected at \$1.631 billion. Year-end private contributory balance still insolvent at - \$4.289 billion.

In 2024 employer payrolls will remain on tax rate schedule G and generate \$2.544 billion in contributions. Benefit payments are expected to be \$1.468 billion and a year-end private contributory fund balance at -\$3.214 billion.

Revised projections based on employer contributions and benefit payments through third quarter 2020 and the latest Moody's Analytics Data Services forecasts will be released in November.