

Now is the Time

Unemployment Insurance Reforms

Policy Fact Sheets

Understanding the State's Unemployment Insurance System

The Current State of the UI Trust Fund and the Opportunity for Reform

The state's Unemployment Insurance (UI) system faces a fundamental challenge that threatens the long-term solvency of the UI Trust Fund; **the system pays out more funds than it takes in**, and it continues to deal with the impact of significant benefit payments during the pandemic and the numerous policy changes that were made to cover the cost of pandemic-era benefits. Since the pandemic, **the system has become more expensive**, as employer contributions and UI benefits continue to rise, surpassing any other year in the past decade, aside from 2020. In 2025, employers contributed \$1.5 billion to the UI system, \$130 million (9.8 percent) more than in 2015, and UI benefits reached \$2.4 billion, an increase of \$920 million (60.9 percent) over 2015. The state's UI system now faces a new challenge, repaying the federal government more than \$2 billion after federal funds were misapplied during the pandemic.

According to state projections, without reform, **the UI Trust Fund will not be able to support UI benefits by the end of 2027**. Part of that projection is that employers will be assessed the highest set of UI rates, but even with this increase, the UI system will remain insolvent. In 2026, employers will have to contribute \$418 million (28.7 percent) more to the UI Trust Fund than they did in 2025 to continue supporting elevated UI benefits and, without action, will solely be responsible for repaying the federal government over \$200 million a year over the next decade.

This Fact Sheet builds on MTF's earlier UI Fact Sheets, which outlined the [basic structure of the system](#) and detailed the [impacts of the pandemic on the UI Trust Fund](#). This Fact Sheet lays out key principles for reform:

- Improve long-term solvency of the UI Trust Fund;
- Generate sustained cost savings for the system; and
- Ensure that the cost of the over \$2 billion federal repayment is shared and not borne solely by employers.

Using these principles, this Fact Sheet assesses several options for system reform.

How We Got Here - Making the Case for Reform

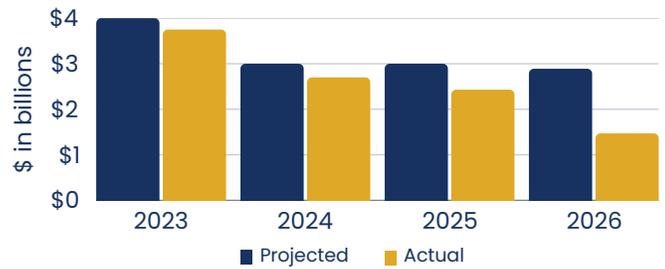
The state's UI system experienced significant changes in the aftermath of the pandemic, as demand for UI benefits surged. As laid out in MTF's previous [Fact Sheet](#), policymakers issued over \$2 billion in special obligation bonds to repay federal UI loans and spread the cost of pandemic-era claims across all contributory employers over the next decade through a temporary assessment. In 2022, the Department of Economic Research (DER) released the UI Trust Fund Annual Outlook Report, which accounted for these policy changes and provided a five-year projection of the fund. While the

balance of the fund met expectations at the start of 2023, the starting balance between 2024 and 2026 missed the projected amount by \$1.9 billion (16.4 percent).

The gap between the expected and actual starting balance was driven by **employer contributions to the UI Trust Fund missing projections** by \$330 million (9.2 percent) and **benefits exceeding projections** by \$1.5 billion (24.3 percent) between 2023 and 2025. The reasons for the differences between expectation and reality for UI contributions and payments are not entirely known, but contributing factors include:

- An increase in the amount of **high-wage earners** as a share of the UI claimant population.
- A growing number of UI claimants have **exhausted their UI benefits**.
- **Employer experience ratings differing** from the Department of Unemployment Assistance (DUA) assumptions.

Comparing UI Trust Fund 2022 Projections to Actual Starting Balance¹



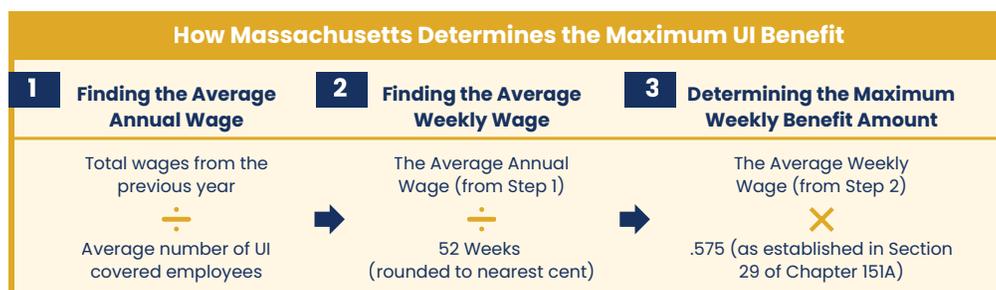
Employer Contributions

Employers contributed \$5.2 billion between 2023 and 2025, among the highest in the last decade, but funds are split between the UI Trust Fund and repaying special obligation bonds. In those three years, employer special assessments totaled \$1.8 billion. However, since revenue generated from the COVID-19 Recovery Assessment directly services the sale of special obligation bonds, these contributions do not go towards the UI Trust Fund.

The following sections take a closer look at the recent trends across each of these factors that have changed since the pandemic and how they impact the UI Trust Fund’s path to insolvency within the next two years.

1 A Greater Share of High-Wage Earners

Since 2021, perhaps the biggest factor in rising UI costs is the fact that **a growing share of UI claimants are eligible for the maximum UI benefit amount, and the maximum amount has risen sharply**. In 2025, a quarter of new UI claimants were eligible for the maximum weekly benefit amount, an increase of over 10,000 claimants compared to 2015.² This trend has been driven by an increase of claimants who are more educated and from high-paying jobs than in previous years – in fact, since 2015, the share of UI recipients with a bachelor’s degree or greater increased by 12 percentage points, and the share of claimants who were employed in the **Professional, Scientific, and Technical Services industry increased by 5 percentage points**.³ This is a challenge for the UI system since wages are the primary factor used to calculate the state’s maximum UI benefit amount. Whatever the reason, the fact that a larger percentage of UI claimants receive more UI benefits significantly strains the system.



¹ UI Trust Fund Annual Outlook Report, 2022

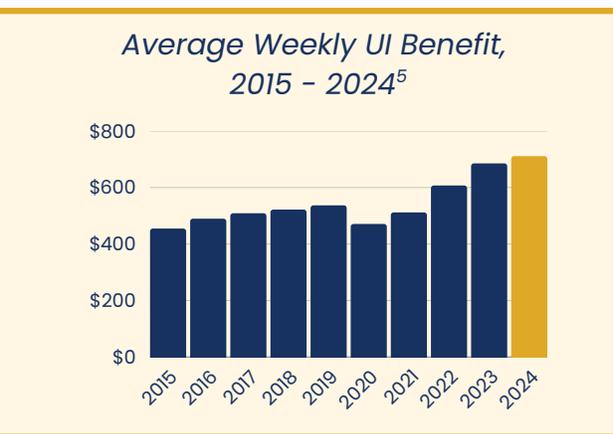
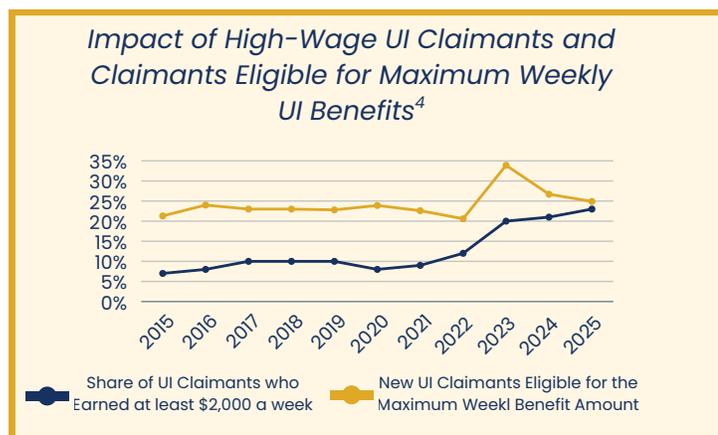
² U.S DOL ETA Form 218

³ DER Unemployment Insurance Claimants Profiles

How a Claimant's UI Benefit is Determined			
Weekly Benefit Amount	Wages from the two highest quarters of earnings	\div	26 weeks (the number of weeks in two quarters)
Maximum UI Benefit	Lesser of	36% of total base period wages (an employee's earnings from the past 12 months)	OR 30x a claimant's weekly benefit amount

In 2026, **the maximum weekly benefit is \$1,105 and the maximum UI benefit for the year is \$33,150** – 30x the weekly benefit amount. The maximum annual benefit has grown by over \$11,000 (53 percent) over 2015. A claimant's maximum weekly UI benefit amount is the lesser of the state's maximum weekly benefit amount and half of a claimant's wages in the top two highest-earning quarters from the past year and dividing them by 26 weeks – the number of weeks in two quarters. This creates a challenge for the UI Trust Fund, which is responsible for supporting greater UI benefit amounts since high-wage earners represent a greater portion of the claimant population.

Over the last ten years, the share of UI claimants making more than \$100,000 when employed has tripled, and these higher-wage workers now make up the largest share of UI claimants. In 2025, UI claimants whose employed wages was at least \$2,000 a week, **represented 23 percent of all claimants**, more than triple the 7 percent share of claimants in 2015. This trend could continue into 2026, as high-wage earners represented 25 percent of claimants from October to December 2025, which will continue to mount pressure on the UI Trust Fund.



Higher wages for UI recipients are driving increases in the average weekly UI benefit amount, which grew by \$256 (57 percent) in 2024 over 2015 – this outpaces growth in average weekly wages during the same period. Growth in average weekly UI benefits has accelerated in recent years, with the growth rate in benefits since 2021 reaching nearly three times the growth rate between 2015 and 2019. This rate of growth is particularly problematic as DER now expects the unemployment rate to remain above 4 percent through 2028. In 2024, elevated UI benefits occurred when the average unemployment rate was 4 percent.

2 UI Benefit Duration and Exhaustion

While there has been a significant decrease in the number of UI claimants since the height of the pandemic, UI **benefits remain elevated**, and the number of claimants has grown since an initial post-pandemic decline. **In 2024, over 166,000 claimants filed for benefits**, 10,000 (6 percent) more claimants than in 2022, which resulted in \$1.5 billion in benefits. In addition to the rising amount of weekly benefits, elevated UI benefits are impacted by two other factors: the average UI benefit **duration period has been rising**, and more claimants **are exhausting their maximum UI benefit** than in previous years.

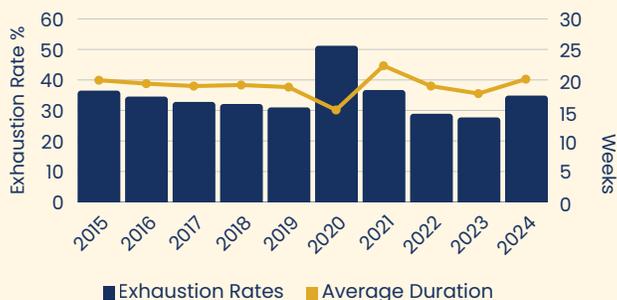
As shown in the table below, the average duration of benefits has jumped. In 2024, the 12-month

⁴DER Unemployment Insurance Claimants Profiles and U.S. DOL Form 218

⁵U.S. DOL ETA Monthly Program and Financial Data

average duration of UI benefits surpassed 18 weeks, an increase of two weeks (more than 10 percent) over 2023. Initial 2025 data show that this trend is continuing: the first three quarters of 2025 have averaged 19 weeks of benefits.

UI Exhaustion Rates and Average Duration of Benefits Over Past 12 Months, 2015 - 2024⁷



claimants exhausted their maximum UI benefit amount, an increase of 7 percentage points from 2023. Like duration of benefits, exhaustion rates appear to be increasing through the three quarters of 2025, with rates reaching an average of 37 percent.

The growing average duration on benefits and exhaustion rates likely speak to broader economic challenges facing the UI Trust Fund: **an increasing unemployment rate and a tightening job market**. These factors, combined with a rising share of high-wage claimants, drive the solvency crisis facing the UI Trust Fund, as DER projects the fund will pay \$220 million (9.1 percent) more in benefits by the end of 2026 compared to 2025.

3 Employer Contributions to the UI Trust Fund

As described in MTF's previous [Policy Fact Sheet](#), employer contribution rates - which apply an assessment based on an overall schedule of contributions - are set based on the balance of the UI Trust Fund. The different rate schedules are intended to align with economic cycles, **meaning employer contributions will be lower during times of low unemployment and higher during times of high unemployment**. Since 2023, employer contributions missed the state's collection projections by over \$300 million - a gap that is primarily driven by employer experience ratings being higher than what was assumed in the state's economic modeling.⁹ This difference in expected and actual experience ratings is likely a function of all pandemic-related UI claims being charged to the Solvency Fund account, which was intended to not impact an employer's experience rating. Therefore, experience ratings were higher at the conclusion of the pandemic than DUA expected or used in its model.

How Massachusetts Ranks Nationally⁶

In 2024, **the average claim duration in Massachusetts was among the longest in the nation**, only exceeded by Delaware and New Jersey. Given that nearly 40 percent of claimants in Massachusetts also received their maximum UI benefit amount, the reasons for the explosion in benefit payments become clear.

48th

In average duration of UI benefits

40th

In UI exhaustion rates

As a result of increasing benefit duration, benefit exhaustion is also increasing, **meaning more claimants are receiving their maximum UI benefit amount**. In 2024, 35 percent of UI

Employer UI Contributions, 2015 - 2025⁸



It is important to note that while the \$3.4 billion employer contribution to the UI Trust Fund since 2023

⁶ U.S. DOL ETA Financial Data Handbook 394 Report

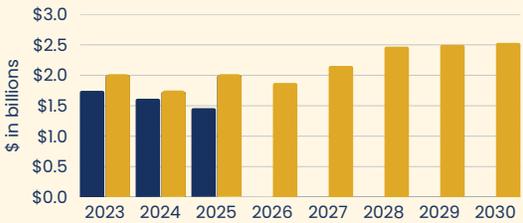
⁷ U.S. DOL ETA UI Claims Data. Since the average duration of UI benefits is an average of the previous 12 months, there is a one-year lag in the data.

⁸ DER UI Trust Fund Data, 2015 - 2024

⁹ Higher employer experience ratings result in lower UI assessment rates, meaning less money is deposited into the UI Trust Fund.

was less than the state projected, it is not inclusive of the COVID-19 Recovery Assessment. Since 2023, employers have generated an additional \$1.8 billion through the COVID-19 Recovery Assessment to cover the cost of pandemic-era UI claims - meaning that employers have contributed over \$5 billion in the past three years to the UI system, nearly the same as contributions between 2015 and 2019. **However, revenue generated by the COVID-19 Recovery Assessment is not deposited into the UI Trust Fund and therefore does not improve the long-term solvency of the fund.**

Total Employer Contributions
Projection vs. Actual, 2023 - 2030¹⁰



Fewer employer contributions to the UI Trust Fund, paired with elevated UI benefits, are expected to trigger Schedule G rates, the highest assessments on employers, by 2028. DER's latest projections show that Schedule G rates and the amount necessary to satisfy federal repayment obligations from pandemic-era misapplied federal funds would require **\$2.5 billion from employers in 2028**. When taking into account the COVID-19 Recovery Assessment, total contributions are projected to reach \$2.8 billion, an increase of \$886 million (45.6 percent) over 2025.

The Time for Reform: Possible Starting Points

The state's UI Trust Fund has long faced solvency challenges that have only grown since the pandemic. Between 2015 and 2019, benefits outpaced contributions by an average of \$70.1 million, but between 2021 and 2025, **the gap grew by over ten times to over \$760 million**, and the state projects that the gap could widen to \$775 million by the end of 2026. DER's recent projections of the UI Trust Fund show that the fund will have a negative balance by 2027, with employers facing steep increases in assessments and the cost of benefits continuing to increase. To ensure that the state can maintain a structurally sound system for employers and workers and improve its ability to compete for talent and businesses, policymakers should prioritize three key principles when considering reforms to the state's UI system.

Gap between Contributions and Benefits, 2015 - 2025



1

Improve long-term solvency of the UI Trust Fund

2

Generate sustained cost savings for the system

3

Ensure that the cost of \$2.4 billion in federal repayment is shared and not borne solely by employers.

On top of solvency challenges and a costly system, Massachusetts' UI system faces a unique challenge: repaying the federal government **over \$2 billion over the next ten years** after federal funds were misapplied during the pandemic to support state UI benefits - repaying the principal balance is a major contributor to the fund's insolvency. Without action, all principal repayments to the federal government will come from the fund and be supported by employer assessments, meaning that outflows will be **\$200 million higher than benefits paid for each of the next ten years**. **This annual withdrawal over the next ten years**, paired with skyrocketing benefit projections, has

hastened the UI Trust Fund’s path to insolvency by 2027 and unaffordable increases in employer UI assessments. If the principal repayment obligation was not solely borne by employer contributions to the UI Trust Fund, **the fund would remain solvent through at least 2035.**

These converging challenges create a key moment for reform. By enacting substantive changes that **bring benefits and employer assessments in line with peer states** and **enhance program integrity**, the state can improve the long-term solvency of the fund and generate cost savings for the state.

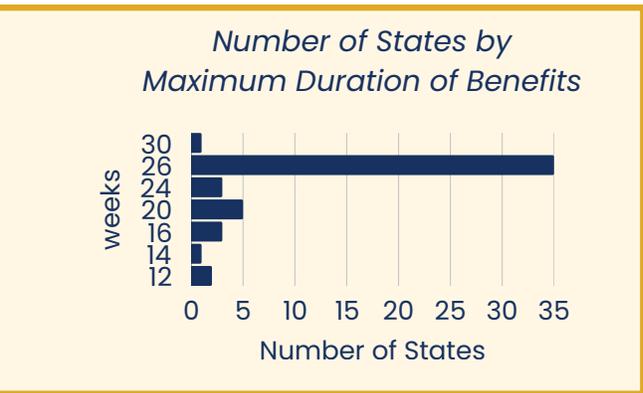
1 UI Benefit Package

Massachusetts stands out as having the **most generous UI benefits package in the country.** While UI benefits should be responsive to the state’s high cost of living, at present, they are an outlier even among other high-cost states. A few components of the UI benefit package that could yield significant cost savings for the system include:

- Capping the maximum duration period;
- Adjusting the calculation of the maximum weekly benefit; and
- Increasing the earnings requirements for claimants.

Massachusetts can draw from other states to create a UI benefit package that is in line with peer states and that prioritizes long-term solvency and cost savings. What follows is an outline of key elements of our UI system, which, if reformed, would generate savings or improve operational efficiency. When possible, we provide estimates for savings associated with various changes. However, actual savings for any specific change would also depend on adjustments made elsewhere in the system.

Duration of Benefits



Massachusetts is the only state that provides up to 30 weeks of benefits – making us an outlier. While the state’s basic benefit period is 26 weeks, an additional four weeks of benefits are added if the 12-month unemployment rate average in any of the state’s metropolitan areas reaches 5.1 percent. For nearly every year of the past two decades, UI claimants have been eligible for 30 weeks of UI benefits. Most recently, the additional four weeks of UI benefits were triggered after the average unemployment rate in Springfield surpassed 5.1 percent.

Over the 30-week period, UI claimants in Massachusetts can receive up to \$33,150, which is determined by taking the lesser of 36 percent of base period wages or 30 times the weekly benefit amount. These two factors have led to Massachusetts having the **highest maximum UI benefit amount in the country, more than double the national average** (\$13,876) in 2025. Compared to peer states, like Rhode Island (\$19,730), New York (\$13,104), and California (\$11,700), Massachusetts’ maximum UI benefit amount stands out. Therefore, the impact of reducing the maximum duration to 26 weeks is two-fold: the system would save a month’s worth of benefits per claimant, and the maximum benefit amount would decrease.

¹¹ U.S. DOL’s Comparison of State Unemployment Laws, 2024 and Significant Provisions of SUTA Laws, 2025

How Massachusetts Ranks Nationally¹¹

- 50th** Highest maximum UI benefit amount
- 50th** Longest maximum benefit duration period
- 49th** Highest maximum weekly UI benefit amount

In addition, Massachusetts is one of 7 states that do not require two quarters of earnings to qualify for UI benefits and one of a minority of states that allows claimants to meet their entire earnings requirement in one quarter.

By capping the maximum benefit period to 26 weeks, the maximum UI benefit calculation would be the lesser of 36 percent of base period wages or 26 times the weekly benefit amount. While removing the 30-week maximum duration period is one way to address the high maximum UI benefit amount, additional savings could be generated by adjusting the weekly benefit amount calculation and adjusting earnings requirements for benefits.

Opportunity for Reform

Based on MTF's preliminary estimates, each additional week of benefits over 26 weeks provides \$24.9 million in benefit payments. Setting the maximum duration at 26 weeks could result in **\$498.7 million** over the next five years and **\$1.1 billion** in savings over the next ten years.¹²

Maximum Weekly UI Benefit

At the beginning of each computation year, the state uses 57.5 percent of the state's average weekly wage to set the maximum weekly benefit amount. In 2025, the maximum weekly benefit amount was set at \$1,105, **which is the second highest in the country** and double the national average (\$565). It will be challenging for policymakers to bring Massachusetts into alignment with comparable states, like Rhode Island (\$745), Connecticut (\$721), New York (\$869), and California (\$450), given the significant gap between Massachusetts and other states, but there are reasonable options that other states have taken to manage costs related to the maximum benefit level. In recent years, states have frozen increases or set the weekly dollar amount in statute. Massachusetts policymakers should explore these options to meet fund solvency goals while maintaining a robust UI system.

A Look at Peer States

Two peer states have recently made changes to improve the solvency of their UI systems:

- **Connecticut** – In 2023, as part of larger UI reforms, Connecticut temporarily froze the maximum weekly UI benefit at \$721 for five years to address the long-term solvency of the fund.
- **New York** – Earlier this year, New York made several reforms to their UI system, including paying off federal UI loans, which allowed the state's 50 percent of the average weekly wage cap on weekly UI benefits to resume.

While California's maximum weekly benefit amount has not changed in the past two decades and is less than half of Massachusetts' maximum weekly benefit amount, California, like Massachusetts, has struggled with solvency.

Reducing the state's maximum weekly benefit amount calculation from 57.5 percent of average weekly wages to 50 percent would have a big impact on the UI Trust Fund while keeping the weekly maximum benefit among the highest in the nation. Savings generated by claimants who are eligible for the maximum weekly benefit amount would be **\$1.4 billion** over the next five years and **\$3 billion** over the next ten years.¹³ This figure likely underestimates the total savings for the fund since the data does not account for claimants whose weekly benefit amount falls between 50 percent and 57.5 percent of the state's average weekly wage.

Another option for policymakers to address solvency in the short term would be to temporarily freeze the maximum weekly benefit amount. In Connecticut, reforms were made to both the inflows and outflows of the UI Trust Fund – the maximum weekly benefit amount was frozen through 2028 to limit

significant increases in benefit payments, and the taxable wage base was increased and indexed to bring in more revenue. Should Massachusetts take a similar approach and maintain the current maximum weekly benefit amount for ten years, it could generate **\$1.2 billion** in savings over the next five years and **\$4.1 billion** in savings over the next ten years.¹⁴

Earnings Requirements

For an individual to receive UI benefits, they must earn 30 times their weekly UI benefit amount and \$6,300 in base period wages, which is typically the last four quarters. **This means that any worker in Massachusetts who worked through four quarters and earned \$121.15 a week is eligible for UI benefits.** Unlike the majority of states (43 as of 2025), it is possible for a Massachusetts claimant to be eligible for benefits after working for only one quarter if they earn high wages. This is notable given that claimants who earned at least \$2,000 a week, when employed, represent the largest share of UI claimants and could be eligible for the maximum weekly UI benefit amount after working for three months.

UI Eligibility Earnings Requirements of Massachusetts and Peer States¹⁵

State	Eligibility Based on MA	2Qs of Wages	BPW as a Share of HQW
MA	\$6,300	X	X
ME	\$3,658	✓	X
MI	\$5,878	✓	1.5 x HQW in base period
NY	\$2,486	✓	1.5 x HQW in base period
RI	\$6,000	✓	1.5 x HQW in base period

Massachusetts has one of the highest thresholds of the seven states that do not require two quarters of earnings. However, when measured against states that require a minimum of two quarters of earnings to receive UI benefits, Massachusetts' threshold is less than half the wage requirements of peer states like Maine, Michigan, New York, and Ohio. While Massachusetts could generate savings from implementing a two-quarter requirement and an earnings threshold, the savings of such a change, if implemented in peer states like New York and Rhode Island, are relatively limited.

Projected Maximum Weekly UI Benefit, 2026 - 2030

	Current 57.5% Cap	At New York 50% Cap	Savings per Claimant
2026	\$1,202	\$994	\$208
2027	\$1,254	\$1,036	\$218
2028	\$1,308	\$1,080	\$228
2029	\$1,365	\$1,126	\$239
2030	\$1,423	\$1,174	\$250
Total Savings		\$1.4 Billion	

Other states provide examples of how Massachusetts could adjust earnings requirements to bring benefit levels in line with peer states, and two common approaches effectively ensure that all UI claimants have worked for more than one quarter to qualify for benefits. In 43 states, claimants are required to work two quarters, while other states use an earnings test to determine the amount a claimant must earn in their base period to ensure that one quarter of earnings is not sufficient to qualify. For example, Maine requires claimants to work for at least two quarters, while Rhode Island requires claimants to have total base period wages that are 1.5 times greater than wages made in their highest-earning quarter.

A Look at Updated Earnings Requirements

Requirement	Current	With Reforms
Minimum Base Period Wage Requirement	\$6,300	\$6,300
Minimum Weeks of Earnings	13	26
Minimum Wages in Highest Earning Quarter	N/A	\$4,200

2 UI Finance Structure

Employer contributions support the UI benefits paid through the UI Trust Fund. Employers are assessed

¹⁴Based on the savings generated from the 2025 maximum weekly benefit amount being maintained through 2035 instead of the maximum weekly benefit amount increase by the ten-year growth average.

¹⁵U.S. DOL Significant Provisions of State Unemployment Insurance Laws, 2025

quarterly based on their experience rating and the balance of the UI Trust Fund. **To support the most generous UI benefit package in the nation, Massachusetts' finance structure is one of the most expensive.** As with UI benefits, Massachusetts' UI finance structure is an outlier, even among comparable states. By looking at how other states fund UI benefits, policymakers could make reforms that ensure cost savings for the system without further jeopardizing the long-term solvency of the UI Trust Fund and address our ability to attract and retain businesses.

How Massachusetts Ranks Nationally¹⁶

30th

Highest Taxable Wage Base

50th

Highest UI Assessment Rates

Taxable Wage Base and Assessment Rates

An employer's UI contribution is a function of the base of wages, in which an assessment is applied, and the assessment rate. While Massachusetts has a relatively low taxable wage base (\$15,000), it has the second-highest minimum UI assessment rate (**0.56 percent** for the best experience rating at Schedule A) and the highest maximum UI assessment rate (**18.55 percent** for the worst experience rating at Schedule G). Even compared to peer states with a similar taxable wage base, like California (0.1 percent to 6.2 percent), Maine (0 percent to 5.4 percent), and Rhode Island (0.21 percent to 10 percent), Massachusetts stands out as an outlier. **In any reform, the taxable wage base and schedule of assessment rates should be dealt with simultaneously to create a more sustainable system.**

UI Financing from Peer States¹⁷

State	Taxable Wage Base	UI Assessment Rates
MA	\$15,000	0.56% - 18.55%
CA	\$7,000	0.1% - 6.2%
CT	\$27,000	0.1% - 10.0%
ME	\$12,000	0% - 5.4%
NJ	\$42,300	0.3% - 7.7%
RI ¹⁸	\$29,800	0.21% - 10.0%

There are two options for adjusting the taxable wage base to address solvency: indexing or rebasing.

- **Indexing:** Unlike 29 other states, including New Jersey, New York, and Rhode Island, the taxable wage base in Massachusetts is set in statute – making us an outlier.¹⁹ Indexing the taxable wage base to statewide average wages comes with its own set of challenges, namely **the stability of an employer's UI liability**. Under an indexed taxable wage base, an employer's UI assessment rate and taxable wages could both increase, driving up costs for employers.
- **Rebasing:** Massachusetts and peer states like Maine and New Hampshire have a statutorily set taxable wage base. Rather than wage growth, the system relies on UI assessment rates to generate revenue, depending on the balance of the UI Trust Fund. The Massachusetts wage base has not been adjusted since 2015. The national average taxable wage base is \$22,844.

Regardless of the approach to adjust the taxable wage base, the impact depends on UI assessment rates, where Massachusetts is already an outlier. As demonstrated in the chart above, Massachusetts, despite having a relatively low taxable wage base, has the highest set of UI assessment rates of any comparable state. This has resulted in Massachusetts employers paying the thirteenth highest UI assessment nationally per employee in 2024, a jump from the twentieth highest in 2023.²⁰ Increasing the taxable wage base without adjusting UI assessment rates would further

¹⁶U.S. DOL's Comparison of State Unemployment Laws, 2024 and Significant Provisions of SUTA Laws, 2025
¹⁷Tax Foundation, State Tax Competitiveness Index, 2024
¹⁸The taxable wage base for employers with the lowest experience rating increases by \$1,500
¹⁹New York's taxable wage base will be indexed to wages starting in 2027
²⁰U.S. DOL Tax Measures Report 2023 & 2024

move Massachusetts up the ranks for having one of the most expensive UI systems for employers.

Impact of Taxable Wage Base Increases Absent UI Assessment Rate Changes per Employee

Experience Rating	Schedule E (Current)	Schedule E (\$25,000 Taxable Wage Base)	\$ Difference	% Difference
Highest	\$141.0	\$235.0	\$94.0	\$66.7%
Lowest	\$2,155.0	\$3,592.5	\$1,437.5	

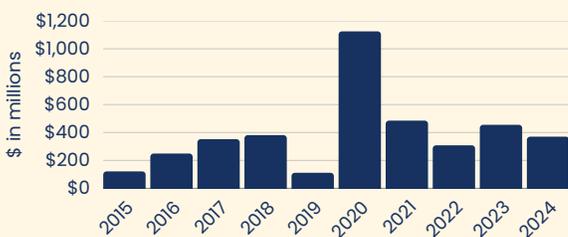
Increasing the taxable wage base without adjusting UI assessment rates would have a major impact on an employer’s UI liability. Based on current Schedule E assessment rates and state projections for 2026, the average UI contribution per employee is expected to reach \$570. However, if the taxable wage base were to be raised to \$25,000 without adjusting rates, the average UI cost per employee would spike to \$950, **an increase of \$380 (67 percent)**, which would be the highest UI cost per employee nationally. In fact, this increase would be 29 percentage points greater than if employers were assessed Schedule G rates, the highest set of UI rates, at the current taxable wage base. **That type of employer cost increase is unsustainable.**

The Need for Reform

Employers are currently assessed **Schedule E rates**, which range from 0.94 percent to 14.37 percent, or **\$141 to \$2,155 per employee**. DER projections show that employers could be assessed Schedule G rates, **the highest set of rates**, by 2028, which range from 1.21 percent to 18.55 percent, or **\$181 to \$2,782 per employee**. Even with the projected schedule change, the UI Trust Fund would still be on track to be insolvent, as benefits remain elevated and over \$200 million will be drawn from the fund over the next decade to repay the federal government.

3 Program Integrity

UI Overpayments, 2015 - 2024²²



Aside from reforms to UI benefits and the financing structure, Massachusetts could generate additional savings by addressing overpayments. **Even before the pandemic, the state struggled to address UI benefit overpayments.** Between 2021 and 2024, the state overpaid an average of \$404.6 million in UI payments, an increase of \$161.9 million (66.7 percent) annually compared to the 2015 – 2019 average.²¹ While UI overpayments have fallen since the \$1.1 billion high-water mark in 2020, UI overpayments have not returned

to pre-pandemic levels. The driving factors behind the increase in UI overpayments are claimants with work search or earnings issues and fraudulent payments.

Work Search and Earnings

Over the past decade, a majority of overpayments have been a result of claimants who received benefits after returning to work, when earnings were not accurately reported, or when claimants received benefits while not actively seeking work. In 2024, these factors combined accounted for \$255.2 million (69.1 percent) of overpayments, more than double the improper payments caused by these issues in 2015. In the past two years, work search-related issues have become the leading factor behind UI overpayments. In 2024, \$160.7 million of UI benefits were paid to claimants who were not actively seeking work, which is nearly six times the amount in 2015. The work search issue

²¹ U.S. DOL ETA UI Payment Accuracy by State, 2015 - 2024

²² U.S. DOL ETA UI Payment Accuracy by State, 2015 - 2024

accounted for 43.9 percent of all improper payments in 2024, nearly double the share compared to 2015.

Fraudulent Payments

The increase in overpayments is likely impacted by a post-pandemic surge in fraudulent UI benefit payments. Between 2015 and 2019, the rate of fraudulent payments averaged 4 percent, but this rate jumped to over 12 percent for two consecutive years in 2020 and 2021, while enhanced benefits were in place. While the rate of fraudulent claims has slowly decreased since 2021, the 7 percent rate in 2024 is still **more than four times the rate in 2015**. In

2024, U.S. DOL estimates that the state paid **\$25.6 million in fraudulent UI benefits**, a significant increase from the \$2.4 million in fraudulent payments made in 2015. Massachusetts has the third-greatest UI fraud rate nationally, and nearly five times greater than the fraud rate in peer states like Connecticut and New Jersey.²⁴

UI Payment Fraud Rates, 2015 - 2024²³



In response to elevated UI overpayments and a high fraud rate, DUA has taken several steps to improve controls and prevention measures. The state is also in the process of implementing a new interface for claimants and employers to provide additional information, when necessary, to ensure the accuracy of claim determinations.

Putting it all Together

Several challenges are facing the UI system that threaten the long-term solvency of the UI Trust Fund. While the state projects that employer contributions to the fund will reach \$2.5 billion in 2028, **over a \$1 billion more than in 2025**, this will not be enough to keep the fund solvent. **UI benefits are expected to surpass \$2.5 billion in 2026**, and **over \$200 million will be withdrawn from the fund annually over the next decade** to repay the federal government for misapplied funds. Combined, these factors have put the UI Trust Fund on track to have a negative balance within the next two years.

Policymakers must make meaningful reforms that are guided by three principles: **improving long-term solvency, prioritizing cost savings, and preventing \$200 million annual withdrawals from the fund**. To achieve this, policymakers must determine the level of savings that must be generated to maintain a solvent system. A starting point could be to generate enough savings to offset the ten-year cost of the \$2.1 billion federal repayment agreement. However, this action alone will not solve long-term solvency, since the gap between contributions and benefits is projected to average \$313.5 million through 2030.

This Policy Fact Sheet lays out areas of the state's financing structure, benefit package, and program integrity efforts where there is an opportunity to make changes that address long-term solvency and maximize savings. Across several components of the state's UI system, like the maximum benefit amount, and duration, and assessment rates, Massachusetts stands out as an outlier, even compared to peer states. As policymakers consider reforms, more data will be necessary to understand the financial impact of any proposals to reform the state's benefit and financing structure on the UI Trust Fund and claimants.

²²U.S. DOL ETA UI Payment Accuracy by State, 2015 - 2024

²³U.S. DOL ETA UI Payment Accuracy by State, 2015 - 2024

²⁴While U.S. DOL provides data on improper UI payments and fraudulent rates, they warn against comparing data across states given the variety across state UI laws.