



**EMPLOYMENT AND
ECONOMIC DEVELOPMENT**

2025 UI Update

February 2025



Agenda

1. Program basics
2. Revenues
3. Expenditures
4. Administrative items

Program Basics

Minnesota Statutes 268.03

“...The public good is promoted by providing workers who are unemployed through no fault of their own a temporary partial wage replacement to assist the unemployed worker to become reemployed....”

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- Eligibility based: primarily laid off – but also quits and discharges where the worker did not cause their own unemployment
- Temporary: up to 26 weeks
- Partial wage replacement: about $\frac{1}{2}$ of weekly wage up to statutory maximum (currently \$914)
- To become reemployed: able to work, available for work, looking for work or something substantially similar (training for work)

UI is a Federal-State Partnership

- Created by the Social Security Act of 1935
- States have flexibility to adjust certain program parameters, but not all
 - State laws must *conform* to federal law
 - States must administer the program in *compliance* with federal guidance
 - Administrative funding is federal and conditional upon *conformity* and *compliance*

UI is multiple benefit programs in one

Always Active

- Regular UI (state)
- Combined Wage (between states)
- Federal Unemployment Compensations (federal)
- Unemployment Compensation for Ex-Service Members (federal)
- Trade Re-adjustment Allowance (federal)

Periodically Active

- State Additional Benefits (AB, state funded)
- Extended Benefits (EB, federal/state)
- Federal Extended Benefits (federal)
- Disaster Unemployment Benefits (federal)

Pandemic

- Pandemic Unemployment Assistance (PUA)
- Pandemic Emergency Unemployment Compensation (PEUC)
- Additional \$600 (FPUC)
- Additional \$300 (LWA)

UI by the numbers

- Between **25,000 and 250,000** active applicants at any one time
- Applicants request between **2 and 10 million weeks** of benefits per year
- Employers submit **12 million wage** records per year
- Staff issue **200,000 eligibility determinations** per year
- Staff hold **15,000 to 25,000** full due process hearings per year
- **30,000 to 40,000** RESEA participants per year
- **1,200 to 1,400** employer audits per year
- **600,000** phone calls answered by staff per year
- We print and mail around **two million** pieces of paper every year

The funding model

- Benefits are funded “after” not “before” – UI is not forward funded
 - Taxes and reimbursements are receipted quarterly
 - Benefit payments are daily
 - Because the taxable wage base is below the state’s average annual wage, highest receipts in April (Q1 taxes), lowest in January (Q4 taxes)
 - Rate structure takes about 18 months to respond to a down-turn or period of higher payout
- Amount paid varies significantly by the time of the year and state of the economy
 - Minnesota is a very seasonal state – we pay out more in the winter than other times of the year
- UI Trust Fund is the deposit mechanism (held “in trust” by the US Treasury)

Two parts to the Trust Fund

Revenues

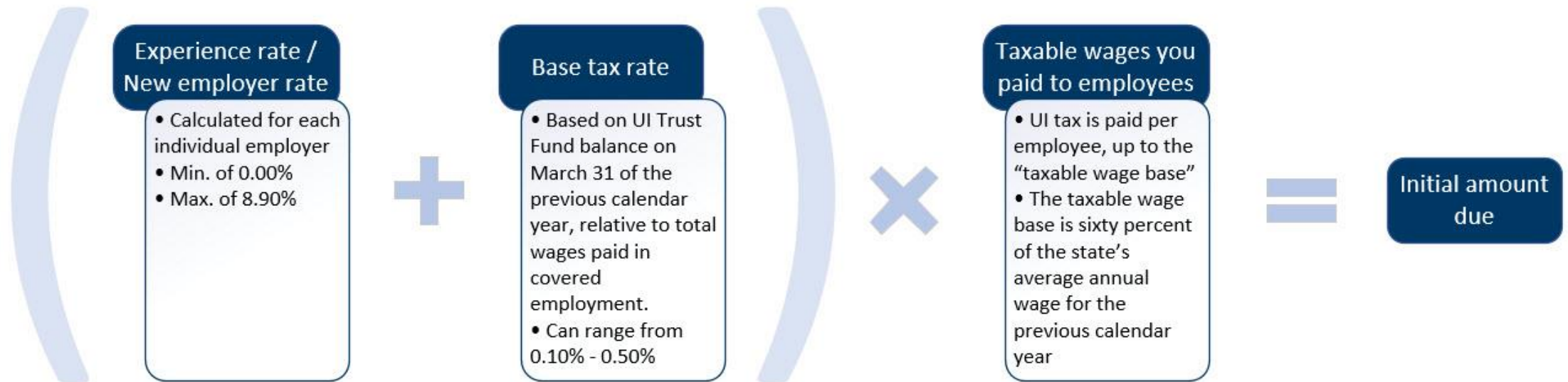
- Tax collections (from taxpaying employers)
- Employer reimbursements (from reimbursing employers)

Expenditures

- Benefit payments to recipients

Revenues

How UI taxes work, briefly

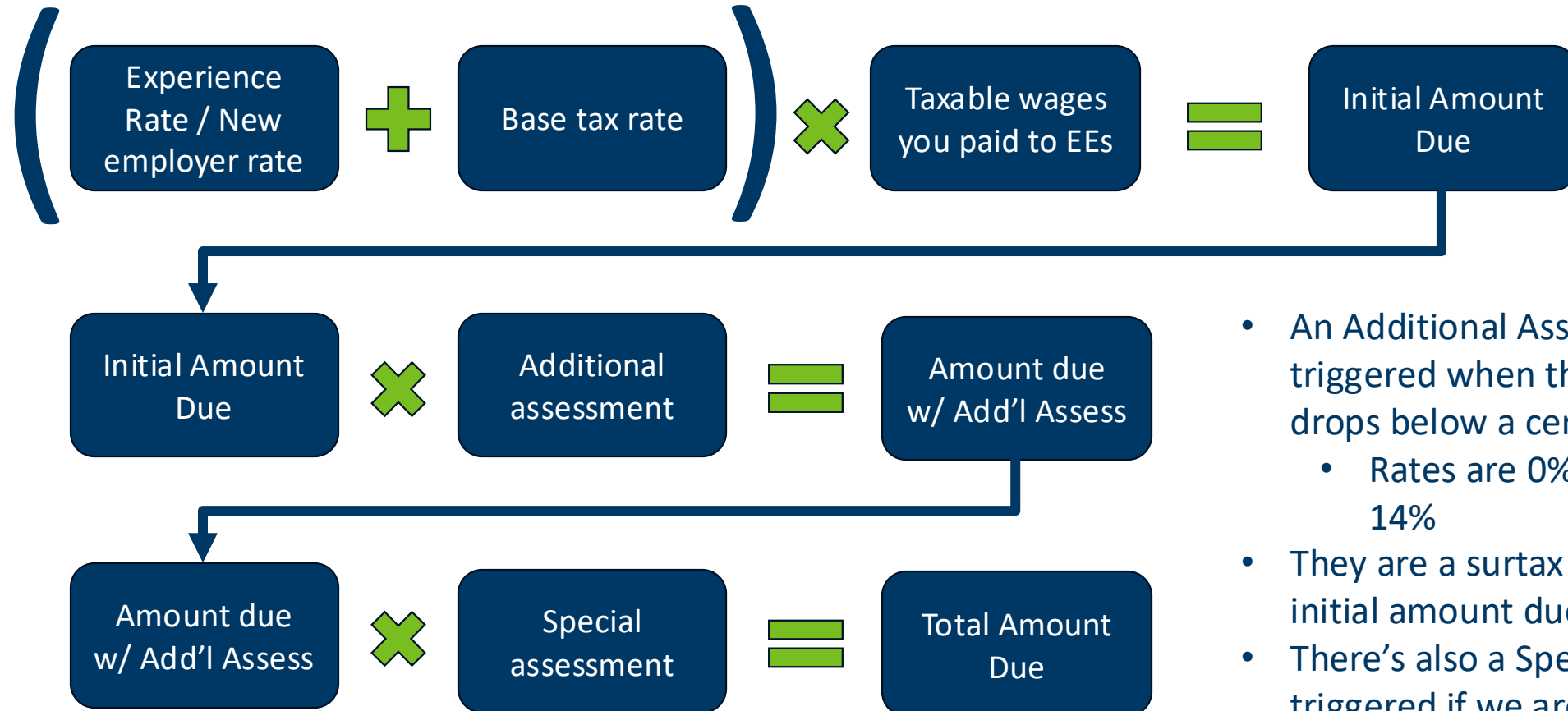


- Based on usage of program
- Provides bulk of tax collections
- Calculated over 4 years of history

- Same rate for all taxpaying employers

- Adjusted annually

How UI taxes work, expanded



- An Additional Assessment is triggered when the Trust Fund drops below a certain level
 - Rates are 0%, 5%, 10%, and 14%
- They are a surtax applied on the initial amount due
- There's also a Special Assessment triggered if we are projected to be borrowing from US Treasury

How experience rates are set

- Based on an employer's use of the UI program:

1.25x UI benefits paid to employer's employees

Employer's total taxable payroll

- Ranges from 0.0% to 8.9% (statutory cap)
- Calculated based on up to 4 years of history
 - Pandemic-related charges are NOT factored in due to the Trust Fund Replenishment Law
- New employers are assigned an industry-specific rate for their first 2 years of operation

Context on Trust Fund replenishment

- Ordinarily, when the Trust Fund falls, the experience rating mechanism kicks in
 - This allows the fund to regain balance over time, as experience rating is based on a rolling 4-year window
 - Following the Great Recession (early 2010s), base tax rates, additional assessment, and experience rates all went up
- However, pandemic-related layoffs were removed in calculating an employer's experience rating
 - This has saved employers hundreds of millions per year
- The Trust Fund replenishment law also set the base rate to 0.1% and additional assessment to 0.0%.
- **This was effectively one of the largest employer tax cuts in state history**

How the base tax rate is set

- Based on formula (Minnesota Statute 268.051):

Balance of the Trust Fund on March 31

Total wages paid in covered employment

- Designed to ensure self-balancing of Trust Fund and ability to be ready for next recession
 - As wages grow, we will need to pay out more if a recession hits
- 2025 base rate: 0.4% with 5% additional assessment
 - Percentages note: this does not mean rate is 5.4% - multiply initial rate plus experience rate by 1.05

Condition	Base Tax	Add'l Assess
$R > 0.75\%$	0.1%	0%
$0.75\% > R > 0.65\%$	0.2%	0%
$0.65\% > R > 0.55\%$	0.3%	0%
$0.55\% > R > 0.45\%$	0.4%	5%
$0.45\% > R > 0.35\%$	0.4%	10%
$0.35\% > R$	0.4%	14%
$\$0 > \text{TF Balance}$	0.5%	14%

How the taxable wage base is set

- The taxable wage base is indexed to 60% of the state's average wage for the previous calendar year
- Employers only pay taxes up to the amount
- In 2025, taxable wage base is \$43,000
 - i.e. employers pay taxes on only the first \$43,000 of wages

The different pieces, together

- Each 0.1% increment on base tax rate is ~\$80 million in collections
- Experience rating portion of UI tax comprises ~\$650 million in collections

Collections by type, 2010-2024

Tax Year	Base Tax	Experience Rate	Additional Assessment	Subtotal	Benefits Reimbursements	Total with Reimbursements
2010	\$214,589,603	\$595,941,705	\$113,288,632	\$923,819,940	\$86,861,802	\$1,010,681,742
2011	\$220,528,497	\$817,871,388	\$145,189,735	\$1,183,589,620	\$89,408,043	\$1,272,997,663
2012	\$232,271,310	\$917,978,394	\$160,850,893	\$1,311,100,597	\$64,317,705	\$1,375,418,302
2013	\$244,805,065	\$987,613,812	\$172,370,785	\$1,404,789,662	\$61,206,468	\$1,465,996,130
2014	\$50,549,636	\$905,072,477	\$0	\$955,622,113	\$55,632,201	\$1,011,254,314
2015	\$53,657,626	\$762,644,786	\$0	\$816,302,412	\$51,370,402	\$867,672,814
2016	\$56,153,122	\$694,111,709	\$0	\$750,264,831	\$45,806,574	\$796,071,405
2017	\$58,760,033	\$676,673,625	\$0	\$735,433,658	\$47,048,179	\$782,481,837
2018	\$60,281,120	\$641,662,142	\$0	\$701,943,262	\$43,476,934	\$745,420,196
2019	\$64,126,692	\$649,551,784	\$0	\$713,678,476	\$42,792,924	\$756,471,400
2020	\$63,008,785	\$612,119,053	\$0	\$675,127,838	\$82,234,669	\$757,362,507
2021	\$66,795,309	\$665,156,843	\$0	\$731,952,152	\$32,389,727	\$764,341,879
2022	\$74,267,498	\$646,631,601	\$0	\$720,899,099	\$38,091,781	\$758,990,775
2023	\$77,924,590	\$632,196,137	\$0	\$710,120,727	\$90,500,489	\$800,621,216
2024	\$79,945,483	\$633,935,173	\$0	\$713,880,656	\$117,542,184	\$831,422,840

Experience rate deeper dive

- Experience rates are capped at 8.9% by statute— there are some seasonal employers that would be at nearly 100% experience rate if not for the cap
- Experience rates are delayed – by design, an increase in experience rates lags between 18 months and 2 years after the increase in activity:

2017-3	2017-4	2018-1	2018-2	2018-3	2018-4	2019-1	2019-2	2019-3	2019-4	2020-1	2020-2	2020-3	2020-4	2021-1	2021-2	2021-3	2021-4	2022-1	2022-2	2022-3	2022-4	2023-1	2023-2	2023-3	2023-4	2024-1	2024-2
2022 Experience Rating Period																											

- Experience rates have no impact on an employer that has gone out of business or left the state
 - A business that closes does not pay for resultant unemployment – this is picked up through the Base Tax
 - An employer that comes into the state to do, say, a large construction project, will come in with the average tax rate for their industry and when project ends, will not incur the higher rates because they no longer have employees in the state – it is possible that very few of their workers were Minnesotans

Average experience rates across industries have generally gone down – many substantially – since 2018

NAICS CD	DESCRIPTION	2018	2019	2020	2021	2022	2023	2024
11	Agriculture, Forestry, Fishing and Hunting	2.16	2	1.96	1.96	1.71	1.59	1.44
21	Mining, Quarrying, and Oil and Gas Extraction	7.68	7.67	7.82	7.82	3.91	3.89	4.28
22	Utilities	1.55	1.37	1.28	1.28	1	1	1
31	Manufacturing -- Food, Beverage, Clothing	1.34	1.24	1.23	1.23	1.15	1.11	1.04
32	Manufacturing -- Wood, Paper, Petroleum, Coal, Chemical, Rubber, Plastic	1.67	1.5	1.45	1.45	1.34	1.2	1.16
33	Manufacturing -- Metal, Machinery, Transportation, Furniture, Electronics, and Computers	1.16	1.02	1	1	1	1	1
42	Wholesale Trade	1	1	1	1	1	1	1
44	Retail -- Vehicles, Clothing, Furniture, Electronics, Gas Stations, Food, Building Materials	1	1	1	1	1	1	1
45	Retail -- Sporting Goods, Hobbies, Music, Books General	1	1	1	1	1	1	1
48	Transportation -- Air, Rail, Truck, Passenger, Support	1.26	1.15	1.12	1.12	1.06	1	1
49	Transportation -- Mail and Package Delivery, Warehousing and Storage	1	1	1	1	1	1	1
51	Information	1.03	1	1	1	1	1	1
52	Finance and Insurance	1	1	1	1	1	1	1
53	Real Estate and Rental and Leasing	1	1	1	1	1	1	1
54	Professional, Scientific, and Technical Services	1.2	1.11	1.05	1.05	1	1	1
55	Management of Companies and Enterprises	1	1	1	1	1	1	1
56	Administrative and Support and Waste Management and Remediation Services	2.26	2.04	1.96	1.96	1.79	1.65	1.62
61	Educational Services	1.35	1.1	1.02	1.02	1	1	1
62	Health Care and Social Assistance	1	1	1	1	1	1	1
71	Arts, Entertainment, and Recreation	1.66	1.45	1.31	1.31	1.27	1.1	1
72	Accommodation and Food Services	1	1	1	1	1	1	1
81	Other Services (except Public Administration)	1	1	1	1	1	1	1
92	Public Administration	1	1	1	1	1	1	1

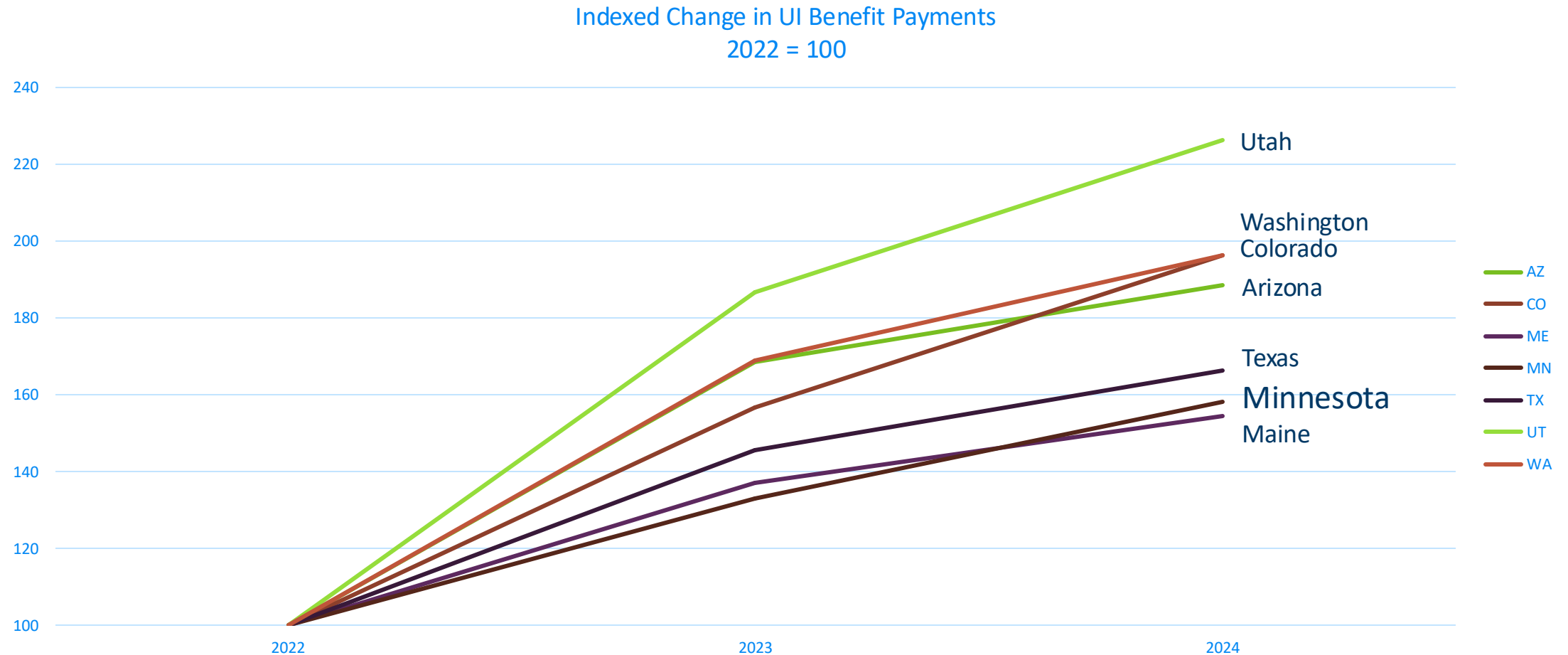
NAICS CD	DESCRIPTION	2018	2019	2020	2021	2022	2023	2024
23611	Residential Building Construction	2.26	2.05	1.95	1.95	1.63	1.52	1.51
23621	Industrial Building Construction	8.9	8.9	8.9	8.9	7.55	5.79	5.62
23622	Commercial and Institutional Building Construction	4.07	3.95	3.91	3.91	3.41	3	2.75
23711	Water and Sewer Line and Related Structures Construction	8.9	8.9	8.9	8.9	8.9	8.9	8.9
23712	Oil and Gas Pipeline and Related Structures Construction	8.9	8.9	8.9	8.9	8.9	8.9	8.9
23713	Power and Communication Line and Related Structures Construction	8.9	8.9	8.9	8.9	8.9	8.9	8.55
23721	Land Subdivision	2.52	2.67	2.78	2.78	3	2.98	3.18
23731	Highway, Street, and Bridge Construction	8.9	8.9	8.9	8.9	8.9	8.9	8.9
23799	Other Heavy and Civil Engineering Construction	8.9	8.9	8.9	8.9	8.9	8.9	7.91
23811	Poured Concrete Foundation and Structure Contractors	8.9	8.9	8.9	8.9	8.9	8.9	8.9
23812	Structural Steel and Precast Concrete Contractors	8.9	8.9	8.9	8.9	6.96	6.03	5.68
23813	Framing Contractors	2.5	2.34	2.14	2.14	1.63	1.32	1.48
23814	Masonry Contractors	8.9	8.9	8.9	8.9	8.9	8.9	8.9
23815	Glass and Glazing Contractors	1.99	1.72	1.95	1.95	1.93	2.03	1.93
23816	Roofing Contractors	8.69	7.17	6.86	6.86	6.1	5.42	4.64
23817	Siding Contractors	4.72	4.35	4.07	4.07	3.35	3.11	2.93
23819	Other Foundation, Structure, and Building Exterior Contractors	6.65	6.67	6.11	6.11	5.69	4.65	4.43
23821	Electrical Contractors and Other Wiring Installation Contractors	3.16	2.94	3.09	3.09	2.98	2.55	2.23
23822	Plumbing, Heating, and Air-Conditioning Contractors	3.29	3.29	3.35	3.35	2.88	2.47	2.28
23829	Other Building Equipment Contractors	4.72	4.46	4.34	4.34	2.42	2.06	2.04
23831	Drywall and Insulation Contractors	4.22	3.77	3.91	3.91	3.51	3.04	2.88
23832	Painting and Wall Covering Contractors	4.96	4.69	4.68	4.68	4.24	3.73	3.47
23833	Flooring Contractors	1.98	1.82	1.91	1.91	1.94	1.72	1.63
23834	Tile and Terrazzo Contractors	2.53	2.26	2.21	2.21	2.5	2.44	2.4
23835	Finish Carpentry Contractors	2.57	2.4	2.3	2.3	2.11	1.84	1.74
23839	Other Building Finishing Contractors	4.23	3.94	4.07	4.07	3.66	3.42	3.36
23891	Site Preparation Contractors	8.9	8.9	8.9	8.9	8.9	8.9	8.9
23899	All Other Specialty Trade Contractors	8.9	8.9	8.9	8.9	7.82	7.07	6.62

Expenditures

How are benefits calculated?

- To be eligible, applicant must have wage credits of 5.3% of state's average annual wage
 - Average annual wage: \$71,292
 - 5.3% of average: \$3,778
- Then, the benefit amount is generally 50% of applicant's average wage for the base period, up to a statutory maximum
 - Statutory maximum: \$914
- These amounts are recalculated every October based on updated data

Increases in benefits payments: state comparison



Source: <https://oui.doleta.gov/unemploy/claimssum.asp>

Note: data are January-November as December 2024 still pending

Trends in benefit payments

- Benefit payments increase more when wage growth is higher
- Nationally, UI programs saw significant growth in benefits paid
- Why? Some hypotheses:
 - End of COVID-era programs has led to a return to more normal employer hiring and layoff cycles (i.e. more layoffs)
 - Broad-based usage of unemployment insurance during pandemic increased awareness of the program in normal times

Year	Total UI Benefits Paid
2010	\$ 1,322,249,851
2011	\$ 933,443,110
2012	\$ 798,174,861
2013	\$ 808,230,725
2014	\$ 750,504,900
2015	\$ 713,437,165
2016	\$ 766,010,060
2017	\$ 736,408,782
2018	\$ 726,846,044
2019	\$ 742,581,310
2020	\$ 3,477,911,998
2021	\$ 1,243,777,821
2022	\$ 826,079,923
2023	\$ 1,071,368,543
2024	\$ 1,290,067,819

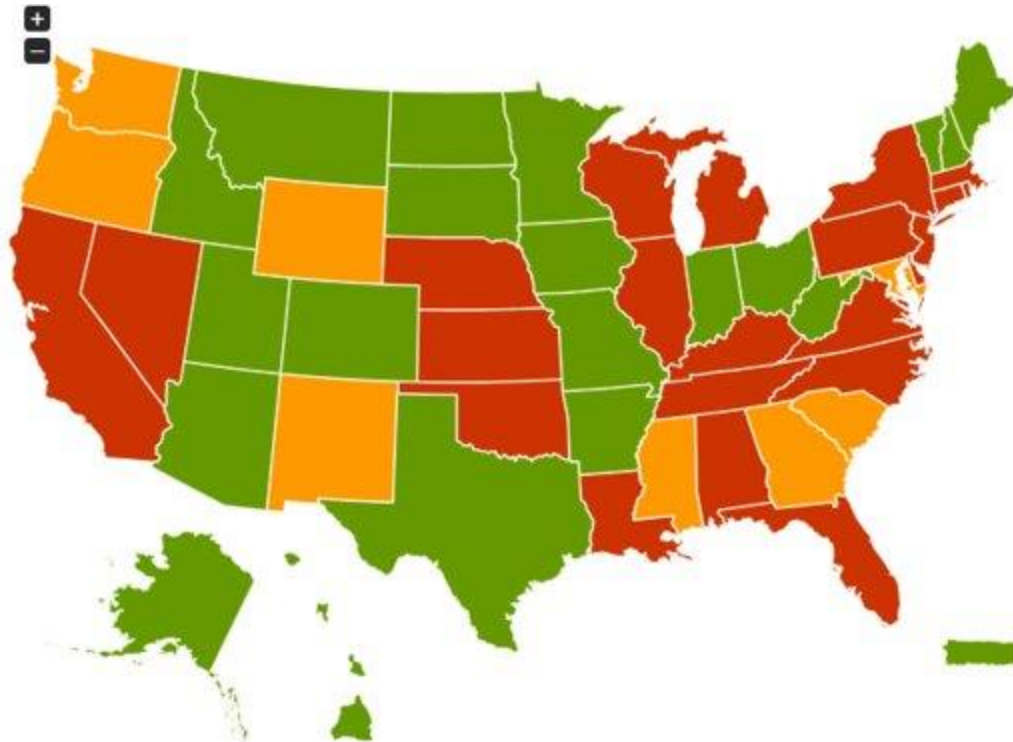
Note: these are Regular UI claims, and not inclusive of Recession or Pandemic-era special programs

UI programs are not forward-funded

- An increase in benefit payments always precedes an increase in taxes or reimbursements
 - Reimbursements always lag by about six months
 - Taxes can lag by two years or more
- The Trust Fund allows increases in benefit payments to occur without the need to immediately raise taxes or borrowing, but this does not go on indefinitely
- During a recession, the Trust Fund can drop very quickly
 - Depending on the circumstances, Base Tax and Additional Assessment may respond most quickly, but still a year or so after the downturn starts
 - Experience rates will be the slowest to respond because of the four-year lookback
 - Program can borrow quickly if required (and interest rates generally drop in a recession)
- Non-recessionary changes in the economy can impact benefits
 - Higher interest rates can slow construction, increasing benefit payouts and, effectively, lengthen the winter
 - Closure of businesses means that benefits will be paid without a recovery of future taxes from the closed business
 - Higher activity levels in industries with historically low experience rates means rates will take longer to increase for the industry

Administrative Items

UI Integrity – Federal Metrics



- According to the U.S. Department of Labor, Minnesota UI has one of the lowest fraud rates in the country (under 1.4%)
 - Source: [USDOL Payments Data](#)
- Minnesota has one of the highest payment accuracy rates in the country
 - Source: [USDOL Payment Accuracy Dashboard](#)

Full data

State	Improper Payment Rate	Fraud Rate
FL	23.207%	0.190%
IA	10.188%	0.265%
TX	7.253%	0.284%
IN	4.845%	0.336%
SC	7.292%	0.358%
ND	5.083%	0.385%
VA	18.563%	0.556%
NE	12.022%	0.606%
CO	6.661%	0.715%
GA	7.940%	0.802%
NH	7.952%	0.808%
DC	13.235%	0.976%
MO	7.830%	1.104%
MN	7.424%	1.358%
HI	3.963%	1.367%
MT	4.325%	1.464%
UT	4.861%	1.484%
KS	17.741%	1.488%
AL	7.643%	1.498%
KY	35.344%	1.573%
NC	22.162%	1.607%
NJ	22.141%	1.636%
ME	6.181%	1.820%
DE	26.177%	1.841%
OK	7.750%	1.863%
WV	7.868%	2.031%

State	Improper Payment Rate	Fraud Rate
MD	7.136%	2.070%
MI	19.576%	2.072%
CT	19.675%	2.149%
WI	24.325%	2.252%
VT	9.225%	2.320%
WA	11.433%	2.406%
AR	12.590%	2.456%
IL	12.964%	2.647%
NM	8.985%	2.649%
OH	10.439%	3.076%
SD	10.256%	3.294%
WY	10.391%	3.299%
OR	7.448%	3.796%
AK	7.657%	4.224%
ID	7.107%	4.331%
TN	26.523%	4.347%
PR	5.379%	4.379%
PA	10.033%	5.103%
NV	17.251%	5.679%
AZ	7.750%	5.794%
LA	11.545%	5.905%
MS	8.192%	5.935%
CA	9.314%	6.133%
MA	21.464%	8.361%
RI	41.713%	17.006%
NY	32.307%	23.552%

- “Improper payments” include overpayments (due to applicant, employer, or program error), underpayments, and fraud
 - In Minnesota, most “improper payments” are due to applicant error
- US DOL standard for “improper payments” is 10% or lower
 - Minnesota comfortably beats this standard
- Data are based on an exhaustive peer-reviewed audit of sampled cases

UI Integrity – State and other reviews

- 2022 OLA Report: “The UI Division regularly conducts data analyses to identify and lock accounts with suspicious characteristics that indicate they may have been opened by imposters or hijackers. These processes were effective in quickly identifying and locking the suspicious accounts in our sample.”
 - Source: “Unemployment Insurance Program: Efforts to Prevent and Detect the Use of Stolen Identities.” Office of the Legislative Auditor, 2022.
- Program makes continuous investment in technical tools, improved business process, and monitoring
- UI program is also reviewed by multiple agencies each year, including the Internal Revenue Service, the Social Security Administration, and third-party information technology auditors

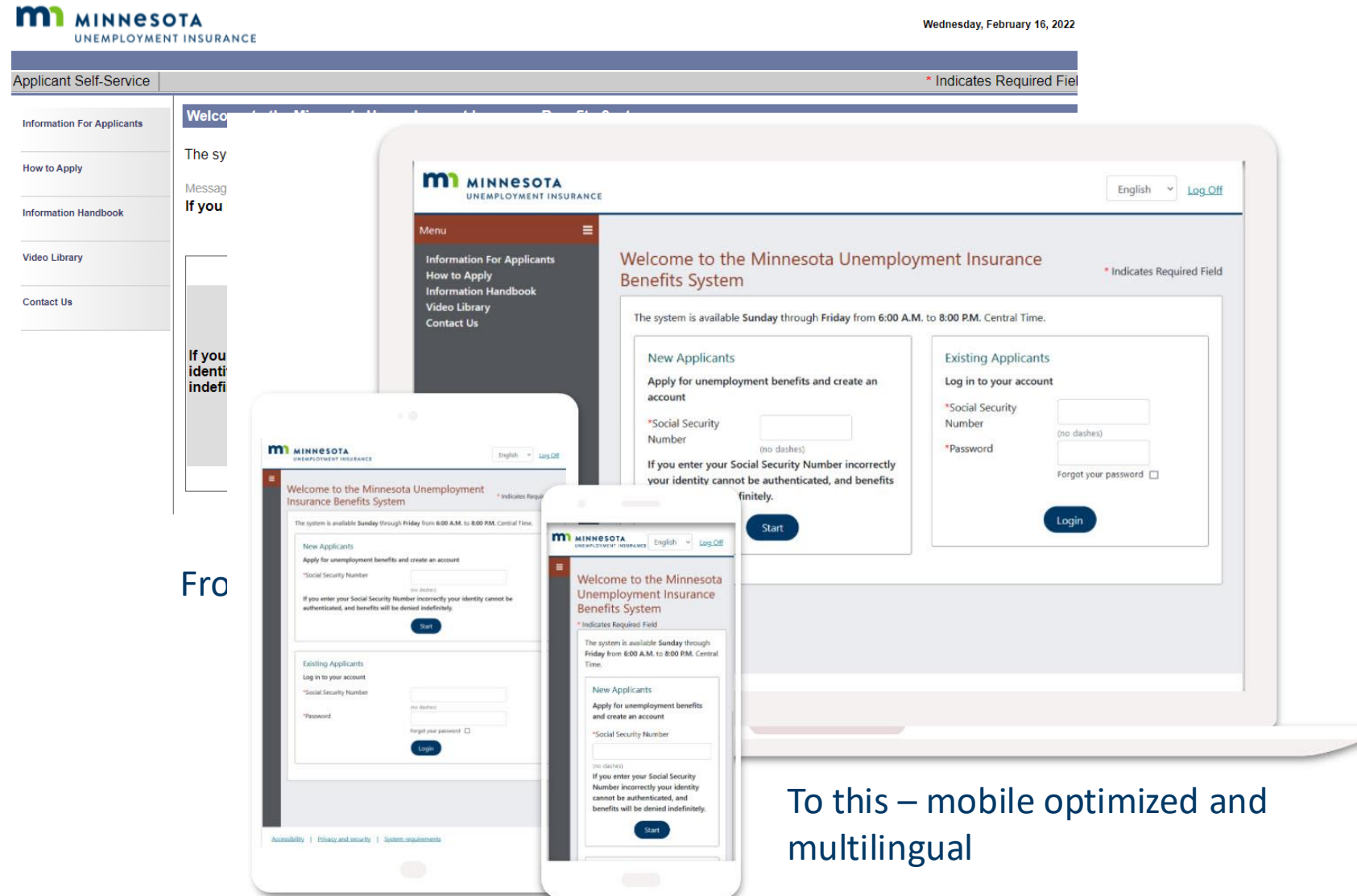
Supporting Minnesotans in Job Search

- Most states participate in the USDOL's Reemployment Services and Eligibility Assessment program
- Targets people who are most likely to remain out of work for longer with customized services
- From 2021 to 2024, Minnesota ranked 5th in the country in RESEA sessions completed per capita
- Supports program integrity and helps people get back to work faster



Continuing to improve business process and technology

- Abstract Tax Rate Structure
- Active-Active
- Appeals into Issues Engine
- Automated Testing
- Automating the environment
- Cash Management
- Challenge questions
- Code, requirements, and testing repository and management tool
- Conditional Applicant Messaging
- Conditional Employer Messaging
- Correspondence Editor
- Enhance Deductible Income
- Enhance Weekly Request
- FileNet (PT 1)
- FileNet (Pt Steve)
- Improve Error Detection and Handling
- Increase flexibility of supplemental payments
- Integrity Cross match
- JavaScript Errors
- Lift and Shift
- Login
- Long Lived Connections
- Memory leaks
- Performance testing
- Presentation Layer
- Program Integrity Support
- Purge
- Quarterly check for regular unemployment
- Security updates
- Operationalized Security Enhancements
- Split Employer Experience
- Wage detail updates
- WebSphere
- ...all in 2024!



Any questions?