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MTF Bulletin

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Fiscal Year 2026 Budget: A Closer Look

Workforce Investments in the Governor's Budget

On January 28th, the Healey-Driscoll administration released its \$63.36 billion Fiscal Year (FY) 2027 budget proposal. The spending plan reflects an increase of \$2.3 billion (3.8 percent) over the FY 2026 General Appropriations Act (GAA) and \$668 million (1.1 percent) over the administration's estimated FY 2026 spending level.

This brief focuses on the \$559.5 million included in the Governor's FY 2027 budget proposal for workforce programs, including descriptions of where investments occur and how proposed funding compares to the FY 2026 GAA.

Background

The state has a vast workforce system, which MTF tracks across 39 line-items in the state budget administered by seven secretariats. Workforce programs range from providing specialized training for in-demand industry credentials to offering high school students the opportunity to graduate with college credits at no cost to the student. MTF organizes workforce investments into three categories based on the target population and policy goal:

- **Individual Workforce Training** – Programs that offer basic skill development and vocational training.
- **Sector-Based** – Programs that offer specialized employment training and industry-recognized credentials for in-demand sectors and occupations.
- **Training Opportunities for State-Serving Populations** – Programs that offer training and employment programs for individuals who receive state services.

To coordinate the state's cross-agency workforce efforts, the Workforce Skills Cabinet (WSC) connects four secretariats that administer 36 of the 39 workforce programs funded by the budget:

- Executive Office of Economic Development (EOED)
- Executive Office of Education (EOE)
- Executive Office of Health and Human Services (EOHHS)
- Executive Office of Labor and Workforce Development (EOLWD)

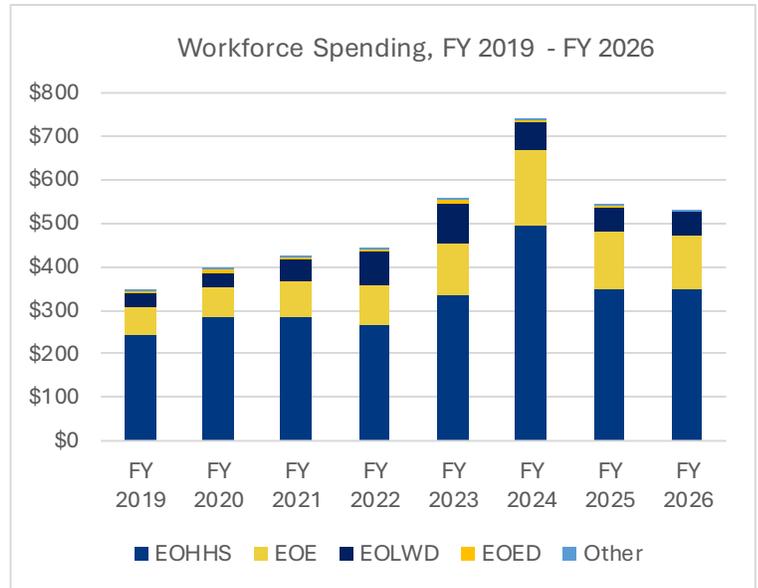
Workforce programs vary based on the mission of the secretariat. For example, EOHHS – which oversees ten line-items that receive the greatest share of workforce funding - provides training and employment

services for individuals with disabilities and low-income residents. EOLWD administers 13 line-items, representing 10 percent of workforce funding, to fund the state’s one-stop career centers, apprenticeships, and industry-specific training.

Funding for workforce programs continues to exceed pre-pandemic levels due to the state’s labor demands.

In FY 2026, workforce funding was \$217.5 million (63.6 percent) greater than FY 2019, outpacing overall spending growth in the budget during the same period (48.9 percent). Funding for these programs peaked in FY 2023 and FY 2024, using resources set aside during the pandemic and

often in conjunction with similar investments made using American Rescue Plan (ARPA) funds. Increased investments expanded funding for existing programs like Adult Basic Education and supported new programs, including Career Technical Institutes and Innovation Career Pathways.



Federal Funding for Workforce Programs

While a majority of workforce funding is supported through the state budget, Massachusetts receives federal funding for several workforce programs that support apprenticeships, basic skill training, employment services for individuals with disabilities and low-income families, and one-stop career centers. There are three federal programs that provide additional funding for workforce programs that are also supported by the state budget.

- **Home and Community-Based Waiver (\$90.5 million in FY 2026)** – The Center for Medicare and Medicaid Services (CMS) oversees the Home and Community-Based Waiver that provides a 50 percent federal reimbursement for the state’s Community Day and Work Program, which provides eligible services for clients who are enrolled through the waiver.
- **Workforce Innovation and Opportunity Act (WIOA) (\$62.3 million in FY 2026)**– The Department of Labor (DOL) oversees the WIOA program and awards grant funding for the state’s Adult Basic Education program and to support services offered at MassHire Career Centers.
- **State Apprenticeship Expansion Formula Grants (\$1.0 million in FY 2026)** – DOL awards federal funding to support the expansion of registered apprenticeships in traditional and emerging sectors, including technology and advanced manufacturing.

Recent federal policy changes are expected to increase demand for workforce programs. As part of the One Big Beautiful Bill Act (OBBBA), individuals who receive public assistance through Medicaid and the Supplemental Nutrition Assistance Program must complete 80 hours of work per month, which can include enrollment in education and training programs.

Funding in the Governor’s FY 2027 Budget

Governor Healey’s FY 2027 budget includes \$559.5 million for workforce programs across 37 line-items, representing 0.9 percent of proposed budgeted spending. Workforce spending increases by \$28.1 million (5.3 percent) over the FY 2026 GAA, which is primarily driven by a \$26.1 million (9 percent) increase for the Community Day and Work Program and the addition of a new \$10 million line-item to fund the Community Workforce Grant Partnership Program. This total does not include an additional \$5 million proposal in the accompanying Innovation and Capital Fund supplemental budget for Adult Basic Education/English for Learners of Other Languages.

Governor Healey’s FY 2027 Proposed Workforce Spending by WSC Secretariat

Secretariat	FY 2026 GAA	FY 2027 GOV	\$ Difference	% Difference
EOE	\$123.9	\$119.5	-\$4.4	-3.5%
EOED	\$0.0	\$10.0	\$10.0	-
EOHHS	\$349.9	\$375.5	\$25.6	7.3%
EOLWD	\$55.1	\$52.1	-\$2.7	-5.5%
Total	\$529.0	\$557.1	\$28.1	5.3%
<i>Other</i>	\$2.5	\$2.4	-\$0.1	-2.8%

\$ in millions

Spending for workforce programs administered by WSC secretariats increases by \$28.1 million (5.3 percent) compared to FY 2026. While workforce funding for EOHHS and EOED increases, funding for EOLWD and EOE decreases. Proposed decreases result from a \$1.3 million (42 percent) decrease for EOE’s YouthBuilds program and the elimination of EOLWD’s Massachusetts Manufacturing Extension Partnership program.

To further understand the Governor’s FY 2027 workforce investments, MTF organizes spending by workforce categories, based on the type of training offered and the target population.

Governor Healey’s FY 2026 Proposed Workforce Spending by Category

Category	FY 2026 GAA	FY 2027 GOV	\$ Difference	% Difference
Individual Training	\$123.2	\$130.7	\$7.4	6.0%
Sector-Based	\$54.9	\$49.8	-\$5.1	-9.3%
State-Serving Populations	\$353.4	\$379.1	\$25.7	7.3%
Total	\$531.4	\$559.5	\$28.1	5.3%

\$ in millions

Workforce programs for individuals with disabilities and low-income families remain the largest area of workforce investment, primarily driven by the Community Day and Work Programs, the largest workforce line-item. Funding for these types of programs increases by \$25.7 million and represents 68 percent of workforce spending in the Governor’s proposal. Funding for individual training programs increases by \$7.4 million (6 percent), and funding for sector-based programs decreases by \$5.1 million (9.3 percent).

Policymakers face significant budget challenges heading into FY 2027 as a result of limited revenue growth, increased cost pressures, and federal uncertainties. For this reason, there are limited resources available for significant new investments in workforce programs. Funding for 21 workforce line-items is reduced compared to the prior year, while three programs funded in the FY 2026 GAA are not included in the Governor’s FY 2027 budget. To offset these budget reductions, the Governor proposes expanding the

Workforce Investment Trust Fund and Economic Development Trust Fund to support existing programs, work-based learning, and vocational training, including for non-citizens lawfully residing in Massachusetts.

Notable Workforce Investments in the Governor’s FY 2027 Budget

In the following sections, funding for notable workforce programs is reviewed, based on MTF’s organization of workforce programs. This framework is intended to demonstrate the different approaches and policy goals of workforce programs across the state’s workforce system to help policymakers identify key funding trends and better understand the administration’s overall approach to addressing the state’s workforce needs.

Individual Workforce Training

Individual workforce training programs offer basic skill development services for adults and support high school students through career exploration opportunities. This category also includes the state’s one-stop career centers that service both job seekers and employers across the state’s 16 regional workforce boards. The Governor funds 10 line-items that support individual training workforce programs, one additional line-item than the FY 2026 GAA.

Notable Individual Workforce Training Proposed FY 2027 Funding

Program	FY 2026 GAA	FY 2027 GOV	\$ Difference	% Difference
Individual Workforce Training	\$123.2	\$130.7	\$7.4	6.0%
Adult Basic Education	\$59.0	\$58.4	-\$0.6	-0.9%
Early College Initiative ¹	\$30.5	\$33.9	\$3.4	11.1%
Community Workforce Partnership Grant Program	\$0.0	\$10.0	\$10.0	-

\$ in millions

The Governor proposes \$130.7 million for individual workforce training programs, an increase of \$7.4 million (6 percent) over the FY 2026 GAA. Funding for these programs represents 23.4 percent of proposed workforce funding, which is in line with the 23.2 percent share of workforce funding in FY 2026.

The funding increase is primarily driven by a new \$10 million line-item to support the existing Community Workforce Partnership Grant Program administered by EOED.

Individual workforce training funding increases to \$135.7 million when including the additional \$5 million proposal in the Innovation and Capital Fund supplemental budget that supports the Adult Basic Education program, which is funded by the state budget and federal WIOA resources.

Adult Basic Education

The Adult Basic Education (ABE) program is administered by the Department of Elementary and Secondary Education (DESE) and supports English language learning services and GED/High School Equivalency Test (HiSET) programs. Since the start of FY 2026, 24,680 individuals have been enrolled in the program, with 6,541 students in ABE services and 18,139 students in English Speakers of Other Languages (ESOL) services,

¹ This includes funding from three line-items that primarily support the state’s Early College Initiative: 7009-6600, 7066-0019, and a portion of 1596-2510 that the administration anticipates dedicating to Early College.

and nearly 25,000 individuals are on a waitlist for services. To address this need, policymakers dedicated \$10 million in last year’s Innovation and Capital Fund supplemental budget to reduce the waitlist.

Adult Basic Education Funding Summary

Line-item	FY 2026 GAA	FY 2027 GOV	\$ Difference	% Difference
State Budget	\$59.0	\$58.4	\$0.6	0.9%
Innovation and Capital Fund Supplemental Budget	\$10.0	\$5.0	-\$5.0	-50.0%
Federal Funding	\$13.7	\$13.6	-\$0.1	-0.7%
Total	\$82.7	\$77.0	-\$5.7	-6.9%

\$ in millions

The Governor proposes a funding total of \$63.4 million for the ABE program in FY 2027, including \$58.4 million in the operating budget and \$5 million in the Innovation and Capital Fund supplemental budget. This funding total represents a \$5.6 million (8.1 percent) decrease compared to FY 2026. The ABE line-item is used to satisfy the 25 percent state matching requirement to secure federal WIOA funding. The administration anticipates receiving \$13.6 million in federal funding in FY 2027, which would be consistent with FY 2026.

Early College Initiative

The state’s Early College program offers high school students the opportunity to earn college credits before graduation at no cost. In the 2024 – 2025 spring semester, 8,993 Massachusetts high school students were registered for 28,858 credits through the Early College program, an increase of 761 students (9.2 percent) and 3,824 credits (15.3 percent) compared to the 2023 - 2024 spring semester.² The Early College program is funded by three line-items in the budget, which support the partnership between high schools, colleges, and universities.

Early College Initiative Funding Summary

Line-item	FY 2026 GAA	FY 2027 GOV	\$ Difference	% Difference
Early College Programs	\$14.4	\$15.0	\$0.6	4.3%
Dual Enrollment Grant and Subsidies	\$13.1	\$12.9	-\$0.2	-1.5%
Reimagining High Schools	\$3.0	\$6.0	\$3.0	100.0%
Total	\$30.5	\$33.9	\$3.4	11.1%

\$ in millions

Through those line-items, the Governor proposes \$33.9 million for the Early College program, an increase of \$3.4 million (11.1 percent) over FY 2026. The Early College line-item is administered by DESE to support the planning and implementation of Early College programs, while the Dual Enrollment Grant and Subsidies line-item is administered by the Department of Higher Education (DHE) to support credit reimbursements

² Department of Elementary and Secondary Education Early College Dashboard

for higher education institutions. Consistent with the FY 2026 GAA, the Governor proposes dedicating resources from the Reimagining High School line-item to support Early College expansion and other workforce programs, including Innovation and Career Pathways. This proposal is part of the Governor’s goal of enrolling 100,000 Early College students by 2036. The Reimagining High School initiative is supported by surtax revenues.

Community Workforce Partnership Grant Program

The Community Workforce Partnership Grant Program is a new program in the Governor’s FY 2027 budget proposal, to be administered by EOED. This new program combines the Community Empowerment and Urban Agenda programs, historically administered by EOED but with an enhanced focus on workforce development to meet the criteria and receive funding from the Workforce Investment Trust Fund. Funding supports non-profit organizations to offer job training, literacy and language skills, small business skill development (i.e., apprenticeships), and wraparound services (i.e., childcare and student technology) that are tailored to a specific town or city’s workforce needs. The program prioritizes funding for areas facing high rates of poverty and criminal justice involvement. The Governor proposes a stand-alone line-item that dedicates \$10 million for the program that would be supported by the Workforce Investment Trust Fund.

Sector-Based

Sector-based workforce programs provide underemployed, unemployed, and high school students with specialized skills and vocational training programs for in-demand jobs. This category includes funding for third-shift training at vocational schools, apprenticeships, and career technical education programs for students. The Governor funds 16 line-items that support sector-based programs, three fewer line-items than the FY 2026 GAA.

Notable Sector-Based Proposed FY 2027 Funding

Program	FY 2026 GAA	FY 2027 GOV	\$ Difference	% Difference
Sector-Based	\$54.9	\$49.8	-\$5.1	-9.3%
Career Technical Institutes	\$9.2	\$8.9	-\$0.3	-3.7%
Targeted Scholarships	\$5.0	\$.0	-\$5.0	-100%
Career and Technical Education Program	\$3.2	\$3.1	-\$0.1	-2.1%

\$ in millions

The Governor proposes \$49.8 million for sector-based workforce programs, a decrease of \$5.1 million (9.3 percent) compared to the FY 2026 GAA – the only category of workforce programs to receive less funding than the year before. Funding represents 8.9 percent of proposed workforce spending, a decline from the 10.3 percent share of workforce funding in FY 2026. The administration proposes a decrease for nine line-items, but the overall decrease is primarily driven by the exclusion of funding for the Targeted Scholarships program.

Career Technical Institutes

The Career Technical Institute (CTI) program, overseen by EOLWD and administered by the Commonwealth Corporation, supports training in skilled trades (i.e., automotive technology, HVAC, and carpentry) at vocational high schools after hours for unemployed and underemployed workers. In FY 2025, 1,732 workers were trained by CTI programs, an increase of 310 individuals (21.8 percent) compared to FY 2024. While the

Governor proposes \$8.9 million for the CTI program, a decrease of \$0.3 million (3.7 percent) compared to FY 2026.

The state also anticipates leveraging federal funding through the new Workforce Pell program that was authorized by the OBBBA to support the CTI program. Workforce Pell is expected to begin accepting applications by July 1st to provide financial aid for students who are enrolled in an eligible short-term industry-recognized credentialing program. While the U.S. Department of Labor (DOL) is finalizing the rules and regulations, the CTI program is expected to meet the criteria, which include:

- 150 – 600 clock hours,
- 8 – 15 weeks long,
- Prepares students for high-skill, high-wage, or in-demand industry sectors,
- Offers stackable credentials,
- 70 percent minimum completion rate within 150 percent of the normal time for completion,
- 70 percent job placement rate within 180 days of program completion, and
- Meets a median value-added earnings amount that exceeds the median total price charged to students.

Targeted Scholarships

The Targeted Scholarships line-item supports the Massachusetts High Demand Scholarship Program administered by the Department of Higher Education (DHE) for eligible students who are enrolled in a program at a public college or university for an in-demand profession, such as STEM and health care. While the Governor does not propose funding for the program, the Committee on House Ways and Means (HWM) has typically introduced funding for the program that is included in the final budget.

Career Technical and Education Program

The Career Technical and Education Program, administered by DESE, supports the state’s Career Technical Education Chapter 74 (CTE) programs that provide students with skills training and industry-recognized credentials upon graduation. CTE programs combine work-based learning opportunities with classroom instruction in 44 different occupations, including early education and care, medical assisting, and biotechnology. In the 2025 school year, 9,693 students were enrolled in a CTE program, an increase of 1,145 students (13.4 percent) compared to 2024.³ Despite this growth, demand for the program has outpaced enrollment growth, with over 23,000 applications in 2025, an increase of nearly 3,000 applications over 2024. The Governor proposes \$3.1 million for CTE programs in FY 2027, a slight decrease of \$0.1 million (2.1 percent) compared to FY 2026.

Training Opportunities for State-Serving Populations

Training opportunities for state-serving populations provide employment and training services for individuals who participate in other public benefit programs (i.e., individuals with disabilities and low-income families). This category includes community-based employment and skills services for Department of Developmental Services (DDS) clients and job readiness programs that promote economic mobility for

³ DESE Career and Technical Education Admission and Waitlist Report

TAFDC-eligible families. The Governor funds 11 line-items that support training opportunities for state-serving populations, maintaining the same number of programs as FY 2026.

Notable Training Opportunities for State-Serving Populations Proposed FY 2027 Funding

Program	FY 2026 GAA	FY 2027 GOV	\$ Difference	% Difference
State-Serving Populations	\$353.4	\$379.1	\$25.7	7.3%
<i>Community Day and Work Programs</i>	\$287.4	\$313.5	\$26.1	9.1%
<i>Vocational Rehabilitation for People with Disabilities</i>	\$28.8	\$29.2	\$0.4	1.4%
<i>Employment Services Program</i>	\$20.6	\$20.4	-\$0.2	-0.9%

\$ in millions

The Governor proposes \$379.1 million for training opportunities for state-serving populations programs, an increase of \$25.7 million (7.3 percent) compared to the FY 2026 GAA. Funding represents 67.8 percent of proposed workforce funding, an increase from the 66.5 percent share of workforce funding in FY 2026. The funding increase is nearly entirely driven by the increase in the Community Day and Work Programs, the state’s largest workforce line-item.

Community Day and Work Programs

Community Day and Work Programs are administered by DDS to provide community-based, group, and individual-supported skill development and training and job coaching for clients who are 22 years and older. In FY 2025, the program provided 8,700 individuals with community-based day supports, an increase of 387 individuals (4.7 percent), and provided employment services to 6,468 individuals, an increase of 106 individuals (1.7 percent) compared to FY 2024. The program is funded through the state budget and federal reimbursements through the Home and Community-Based Waiver. The administration proposes \$313.5 million for the program, an increase of \$26.1 million (9.1 percent) compared to FY 2026, and anticipates receiving \$98.8 million in federal reimbursements, an increase of \$8.7 million (9.7 percent) compared to FY 2026. This additional funding is intended to annualize prior year reimbursement rate increases for program providers and to address anticipated caseload increases.

Vocational Rehabilitation for People with Disabilities

The Vocational Rehabilitation for People with Disabilities program is administered by MassAbility to provide pre-employment transition services for students and employment support, and it funds counselors who work with individuals to develop a career plan, coordinate job placements, and recruit employers. The program is primarily supported by federal funding, but the state meets funding requirements through the state budget. In FY 2025, the program provided career services to 23,321 individuals, an increase of 38 individuals over FY 2024. The administration proposes \$29.2 million for the Vocational Rehabilitation program, an increase of \$0.4 million (1.4 percent) over FY 2026. The state anticipates receiving \$50.2 million in federal funding to support the program in FY 2027, which would be a decrease of \$3.3 million (6.2 percent) compared to FY 2026.

Employment Services Program (ESP)

The Employment Services Program line-item funds the state’s five TAFDC Pathways to Work programs that include English for Speakers of Other Languages (ESOL) services, internships, wraparound supports, and post-employment services for low-income families. In FY 2025, the funding for these programs supported 3,880 individuals, a decrease of 359 individuals (8.8 percent) compared to FY 2024. The Governor’s FY 2027 budget includes \$20.4 million for the ESP program, a decrease of \$0.2 million (0.9 percent) compared to FY 2026. While the FY 2026 GAA earmarked funding for the DTA Works Internship program and the Employment Support Services Program administered by the Office of Refugees and Immigrants, the Governor does not earmark funding for the specific programs – a detail that is typically included by the Legislature.

Notable Workforce Development Policy in the Governor’s FY 2027 Budget

Budget proposals also include policy initiatives through outside sections. The Governor’s FY 2027 budget includes three policy changes intended to expand the use of trust fund resources to support workforce development, address workforce needs for small businesses, and remove youth employment barriers.

- Workforce Investment Trust Fund (WITF) and Economic Development Trust Fund – The WITF is administered by EOED and is supported by the Sports Wagering Fund to competitively award grant funding for workforce programs in low-income communities and for vulnerable youth and young adults. The Governor proposes adjusting the allocation of sports wagering revenues and directing a share of the revenues to the Economic Development Trust Fund. These sections also require EOED to consult with EOLWD on the use of funding from the WITF. Finally, these sections expand the allowable uses of funding from the WITF to include programs that support internships, apprenticeships, and other work-based programs.
- Youth Employment Permitting – For students 18 years and younger seeking employment, the state requires them to complete a Work Permit Application. The application includes a Promise of Employment section to be completed by the employer and a Physician’s Certificate of Health (if under the age of 16) to be completed by a doctor following a medical exam. The permit must be signed by a parent or guardian and the superintendent of the school district. The Governor proposes streamlining the youth employment permitting process by creating a Youth Work Permit Coordinator to certify the documents, allowing the forms to be completed electronically, and reducing required materials.
- Workforce Productivity Fund – The Governor proposes transferring \$1 million from the Family and Employment Security Trust Fund to a newly created Workforce Productivity Fund. The fund is intended to support small businesses with 50 employees or fewer with the costs of hiring temporary employees to fill workforce vacancies of employees on medical or family leave.

Key Takeaways for the House and Senate

As the budget development process now moves to the House and Senate, policymakers face several questions related to funding for workforce programs and the state’s labor needs.

- ***In a constrained budget environment, what tools are available for House or Senate policymakers to address the state’s workforce needs?***

The various fiscal pressures facing the state budget will likely limit the ability to significantly expand existing workforce programs or create new initiatives. However, policymakers can still take meaningful action to remove barriers to employment that could grow the workforce while having a

limited impact on the state's budgeted spending. The Healey-Driscoll administration has taken this approach by easing the process for high school students to get part-time jobs. MTF has also written about employment barriers in the [behavioral health field](#), where individuals pursuing a career as a Licensed Independent Clinical Social Worker are not able to count their graduate field placement hours towards the licensing requirements. Similarly, behavioral health professionals trained in another country or state face barriers to licensure, regardless of their experience, often having to retake courses if credits do not align with the state's standards or covering the cost to translate application materials into another language. Examples like these policy proposals could have a direct impact on the state's ability to address workforce needs without adding to state budgeted spending during a time of limited new available resources.

- **How will the impacts of a changing federal spending and policy landscape impact the state's workforce system?**

Following the passage of the OBBBA and the FFY 2026 budget for the U.S. Department of Labor, Massachusetts has a clearer picture of how federal funding for workforce programs will change in the near future. Many of the changes proposed by the Trump administration, including eliminating the WIOA Adult Education and Family Literacy Act, were not included in the final legislation. However, new Medicaid and SNAP work requirements are expected to increase Career Center referrals for training and education programs – meaning more Massachusetts residents could be interacting with the state's workforce system than in previous years. At the same time, both pieces of federal legislation provide the state with an opportunity to pursue new opportunities, like Workforce Pell and efforts to expand the number of apprenticeships. Last month, the U.S. DOL announced a \$145 million grant program that provides funding over a four-year period to expand Registered Apprenticeships. The implementation of Workforce Pell could drive enrollment increases at Community Colleges and the CTI program for unemployed, underemployed, and incumbent workers seeking industry-recognized credentials. While the final regulations are being finalized by the federal government, Massachusetts should review potential eligible programs by ensuring that training is aligned with an in-demand job, the program has achieved a 70 percent employment rate, and that the right data systems are in place to track the impact on earnings.

- **Will the FY 2027 budget reflect ongoing efforts to reform the state's Unemployment Insurance (UI) system?**

Last year, the Healey-Driscoll administration convened a UI working group represented by business, labor, and members of the legislature to discuss potential areas of reform. The impetus of this working group was the repayment agreement that the administration reached with the U.S. DOL related to the misapplication of over \$2 billion in federal funds that were used to pay UI benefits instead of funds from the UI Trust Fund during the pandemic. The agreement stipulates that annual principal payments of \$203.4 million will be supported by the UI Trust Fund – funded by employer contributions – and interest payments will be supported by General Fund resources over the next ten years. The repayment agreement comes at a time when the system already faces significant solvency challenges driven by elevated benefit payments. By the end of 2027, when the state expects

the UI Trust Fund to be insolvent, benefits payments are projected to reach \$2.6 billion, \$500 million (23.8 percent) more than average UI benefit payments made between 2021 and 2025. At the same time, employers are expected to contribute \$2.2 billion, an increase of \$1 billion (83.3 percent) compared to average annual contributions made between 2021 and 2025. While the conversations of the UI working group develop, policymakers must consider the mounting pressure of UI costs on businesses and dedicate resources to satisfy the principal payments of the repayment agreement.