



**Coalition for  
Employment Security  
Financing Reform**

**FUTA: Two very  
different visions of the  
future of employment  
security in America**

## **FUTA Taxes**

### **S.462 (The DeWine Bill)**

Repeals the 0.2% surtax effective for calendar year 2000.

States collect the FUTA tax beginning calendar year 2001.

Specifies that the FUTA tax is to be paid quarterly.

### **\* The Administration Proposal**

Continues the 0.2% surtax through calendar year 2007.

IRS continues to collect the FUTA tax.

Includes language which permits the Secretary of the Treasury to collect FUTA on a monthly or other basis.

**\* Based on February 1999 Department of  
Labor Briefing Package**

***Questions about S.462 or  
Employment Security Financing in general?***

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# Trust Fund Accounts

## S. 462 (The DeWine Bill)

## The Administration Proposal

Repeals the Employment Security Administration Account (ESAA) effective September 30, 2004.

Retains the ESAA account.

Establishes new accounts effective October 1, 2000, including:

Establishes no new accounts.

- a. 53 state employment security administration accounts;
- b. A supplemental employment security administration account for states with civilian workforce population of less than one million;
- c. A secretary of labor employment security administration account; and
- d. A transition account to receive FUTA tax amounts collected by the IRS and transfer such amounts to the state employment security administration accounts on a monthly basis beginning in 2001.

Reduces the FUA ceiling from 0.50% of state covered wages to 0.25% effective at the end of FY 2004.

Retains the FUA ceiling as 0.25% of state covered wages for FY99 - FY01 and 0.50% for years thereafter, except that the dollar amount of the FUA ceiling for the end of FY 1999 is artificially lowered to provide funds for increased administrative expenditures.

Reduces the ceiling for the Extended Unemployment Compensation Account (EUCA) to \$14.4 billion or 0.25%, which ever is greater, effective at the end of FY 2004.

Establishes the Employment Security Transition Account effective October 1, 2000, into which IRS collection of FUTA will be deposited and from which funds will be transferred on a monthly basis to State ESAA.

No provision

# Trust Fund Transfers

## S. 462 (The DeWine Bill)

## The Administration Proposal

Distributes the balance in the ESAA account as of October 1, 2004, to the State ESAA accounts using the Reed Act distribution formula.

There is no ESAA balance distribution.

Transfers the excess in the EUCA as of September 30, 2004, and the end of each year thereafter, to the State ESAAs using the Reed Act formula.

There is no EUCA excess distribution to state ESAAs. The excess in the EUCA as of September 30, 2004, would be transferred to FUA until it reaches its ceiling, then to ESAA until it reaches its ceiling, and then distributed to the state benefit accounts under the Reed Act distribution formula.

For fiscal years after FY 2005, transfers amounts in the State ESAA which exceed 140% of the balance at the end of the previous year to the UC Benefit Account of the state.

No Provision.

Effective September 30, 2004, and as of the end of each year thereafter, transfers the amount in the FUA above its ceiling to the State ESAAs using the Reed Act distribution formula.

Retains current law which would transfer FUA excesses to ESAA.

# Reed Act Distribution / Trust Fund Solvency

## S. 462 (The DeWine Bill)

## The Administration Proposal

Retains current law which would provide that the Reed Act distributions to be made, if any, as of October 1, 2002, and October 1, 2003 be distributed to all states without condition.

Provides that states not achieving or making substantial progress toward achieving the solvency target set by DOL for the state's UC trust fund not share in the distribution of funds. Instead the state's share would be distributed to those states meeting the DOL standard.

Permits DOL to adjust the definition of what "substantial progress" toward meeting the solvency target means for states that experience increases in unemployment during the period between 12/31/1998 and 12/31/2001.

Limits the Reed Act distribution expected as of October 1, 2002, to \$2.9 Billion, holding an additional \$2.8 Billion as potentially available to states contingent on a dialogue between DOL and stakeholders.

No national standard for state unemployment benefit trust fund solvency mandated.

Establishes a solvency target for state unemployment benefit accounts to reach as of December 31, 2001, as an average high cost multiple of 1.0.

# Administrative Funding

## S. 462 (The DeWine Bill)

## The Administration Proposal

No provision to encourage or discourage states to enact alternate base period provisions.

Establishes new mandatory spending authorization for states to appropriate administrative funds from state ESAA accounts of \$1 Billion (\$245 Million per year) for FY 2001 through 2004 only for the following:

- 1) determining whether UC claimants are available to accept suitable work and have not refused suitable work.
- 2) job search and placement services for claimants and other job seekers.
- 3) appropriate recruitment services and technical services for employers.
- 4) collection of the FUTA.

Provides an additional special distribution of \$5 Million per year to states with civilian labor force population of less than a million, subject to approval by the state legislature, for FY 2001 through 2004 for the following:

- 1) determining whether UC claimants are available to accept suitable work and have not refused suitable work.
- 2) job search and placement services for claimants and other job seekers.
- 3) appropriate recruitment services and technical services for employers.

Establishes mandatory spending authorization effective for FY 2005 under which a state may appropriate the amount in its state ESAA account up to 140% of the amount appropriated for the previous fiscal year. Amounts allocated to the State, but not appropriated by the state legislature, are transferred at the end of the fiscal year to the State's UC Benefit Account.

Reserves \$20 million per year for FY 2000 - 2002 to assist in the implementation of alternate base periods, plus an amount determined by the Secretary of Labor to be the difference between the amount necessary for the proper and efficient administration of the UC Program up to spending caps for FY , 2000, 2001 and 2002.

Requests authorization for new discretionary spending for FY 2000 only for the following:

\$53 million for Reemployment Services for UI claimants.

\$71 million for Program Integrity Services.

\$40 million for Wage Record data base expansion to meet the needs of SSA and the National Directory of New Hires.

\$7 million for Research.

No mandatory spending authorization for years after FY 2003.

# Administrative Funding (cont.)

## S. 462 (The DeWine Bill)

## The Administration Proposal

Establishes the Council of States with Lesser Populations as authorized to allocate funds from the Supplemental ESAA account for states with civilian labor forces of less than one million. Assures a minimum allocation for administration of 1995 funding levels, plus increased costs of administration since 1995, for states within the group.

Repeals DOL authority to allocate Title III administrative funds to the states effective October 1, 2004.

Effective October 1, 2000, limits DOL authority in interpreting “methods of administration” requirements of Title III to those which do not impose additional administrative burden on states (e.g. quality control), unless specifically approved by Congress.

Amends the Wagner-Peyser Act effective October 1, 2000, to repeal the US Employment Service and create the US Employment Security Service.

Defines the role of the US Employment Security Service as “assisting in the coordination of public employment security services.”

Repeals Wagner-Peyser Act authority under which USDOL allocates funds for public employment services effective October 1, 2004.

Requires the public employment services to be provided by SESAs as a conformity requirement effective October 1, 2004, to include the following:

- 1) Whether UI claimants are searching for suitable work
- 2) Job search and placement services for claimants and other job seekers
- 3) Appropriate recruitment services and special technical services for employers

Permits States to also provide:

No provision under which smaller states are provided supplemental administrative funds.

Retains DOL authority to allocate Title III administrative funds to the states.

Retains DOL authority to interpret “methods of administration” under Title III of the Social Security Act.

Retains Wagner-Peyser Act without amendment.

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# Administrative Funding (cont.)

## S. 462 (The DeWine Bill)

## The Administration Proposal

- 1) evaluation of programs
- 2) developing linkages with labor exchange services
- 3) services to dislocated workers
- 4) labor market and occupational information
- 5) development of management information systems for reports

Repeals DOL authority for planning and fiscal responsibility under the Wagner-Peyser Act effective October 1, 2004.

Modifies limitations on the use of Reed Act funds to permit a State to use the proceeds from the sale or transfer of real property and other capital assets to purchase other real property or capital assets for two years after the date of sale or transfer. Amounts remaining after the two year period are to be deposited in the State's ESAA.

Effective October 1, 2000, establishes the FUA as a revolving loan fund for administrative funding for states.

Retains Wagner-Peyser Act without amendment.

Retains current Reed Act limitations on the use of funds generated as a result of sale or transfer of real property or capital assets.

No provision for loans to states for administrative funding.

# Extended Benefits

## S. 462 (The DeWine Bill)

Repeals special EB work search requirements and replaces them with the work search requirements of the states as long as otherwise consistent with federal law.

## The Administration Proposal

Amends selected provisions of the Federal-State Extended Benefits Act of 1970.

- 1) Repeals special EB work search requirements and replaces them with work search requirements of the states as long as otherwise consistent with federal law.
- 2) Adds an array of new mandatory and optional EB trigger provisions designed to trigger on extended benefits more often and for longer periods of time as follows:

### **13 weeks -**

3 mo. TUR @ 7.5% & 110% lookback

3 mo. TUR @ 10% w/o lookback

3 mo. TUR @ 6.5% & 110% lookback [optional]

IUR @ 6% w/o lookback [optional]

### **20 weeks -**

3 mo. TUR @ 10% & 110% lookback

3 mo. TUR @ 12.5% w/o lookback

3 mo. TUR @ 8% & 110% lookback [optional]

# Misc. Provisions

## S. 462 (The DeWine Bill)

## The Administration Proposal

Effective January 1, 2001, requires each state to enact legislation in conformity with federal law to provide that funds under Title IX of the Social Security Act available to the states to pay for public employment be used for:

- 1) determining whether unemployment compensation claimants are available to accept suitable work and have not refused suitable work;
- 2) job search and placement services for claimants and other job seekers; and
- 3) appropriate recruitment services and technical services for employers.

Effective January 1, 2001, requires each state to enact legislation requiring the state Unemployment Compensation agency to provide an annual report to the Governor with respect to:

- 1) the proportion of U.C. claimants provided employment services;
- 2) the proportion of employers provided employment services;
- 3) information concerning referrals and placements; and
- 4) information concerning other services such as counseling and testing.

Effective January 1, 2001, requires each state to enact legislation requiring that the state Unemployment Compensation agency collect the FUTA tax as an agent of the U.S. Treasury.

Provides that no state shall be required to enact a state law to meet the performance measures or other standards established by the Secretary of Labor pursuant to the Government Performance Results Act of 1993.

No new statutory conformity requirements proposed.

No provision.

No provision.

No provision.