

**Coalition for
Employment Security
Financing Reform**

December 1999

The Reformer

Western Governors' Association adopts resolution supporting FUTA reform

On December 3, 1999, the Western Governors' Association passed Resolution 99-029, in support of the reform of the National Employment Security System. Sponsored by Arizona Governor Jane Dee Hull, the text of the resolution follows:

A. BACKGROUND

1. The National Employment Security System has been systematically under funded for over a decade as a result of reduced Congressional appropriations and the impact of the Budget Enforcement Act and prior budget reduction legislation.
2. In 1976, Congress enacted a 0.2 percent Federal Unemployment Tax Act (FUTA) surtax as a temporary measure to fund deficits in the employment security system. These deficits were addressed long ago by this temporary measure.
3. A substantial portion of the employer-paid FUTA taxes dedicated for the purpose of employment security administration are now being collected and withheld by Congress to off-set the Federal deficit rather than expending them for the purpose they were intended.
4. Access to services and the level of services provided have declined as a result of this under-financing of the employment security system. For example, a number of states have had to close employment services offices resulting in both employers and workers not receiving the services they paid for and need.
5. Inadequate administrative funding has hindered states' abilities to provide job search assistance to help more claimants return to work. This has resulted in additional benefit payments to these claimants.

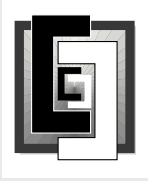
See *WGA* page 4.



**Western Governors'
Association**

Established in 1984, the Western Governors' Association is an independent, non-partisan organization of governors from 18 western states, two Pacific-flag territories and one commonwealth. The Association was formed to provide strong leadership in an era of critical change in the economy and demography of the West.

The Western Governors' Association is composed of Alaska Governor Tony Knowles; American Samoa Governor Tauese P. Sunia; Arizona Governor Jane Dee Hull; California Governor Gray Davis; Colorado Governor Bill Owens; Guam Governor Carl T.C. Gutierrez; Hawaii Governor Benjamin Cayetano; Idaho Governor Dirk Kempthorne; Kansas Governor Bill Graves; Montana Governor Marc Racicot; Nebraska Governor Mike Johanns; Nevada Governor Kenny Guinn; New Mexico Governor Gary E. Johnson; North Dakota Governor Ed Schafer; Northern Mariana Islands Governor Pedro P. Tenorio; Oregon Governor John Kitzhaber; South Dakota Governor William J. Janklow; Texas Governor George W. Bush; Utah Governor Michael O. Leavitt; Washington Governor Gary Locke; and Wyoming Governor Jim Geringer.



Coalition for Employment Security Financing Reform Partners

(As of September 15, 1999)

States

Alabama	Idaho	Mississippi	North Carolina	Tennessee
Alaska	Iowa	Montana	North Dakota	Texas
Arizona	Kansas	New Hampshire	Ohio	Utah
Arkansas	Kentucky	New Jersey	Oklahoma	Virginia
Florida	Louisiana	New Mexico	South Carolina	Wisconsin
Georgia	Minnesota	New York	South Dakota	Wyoming

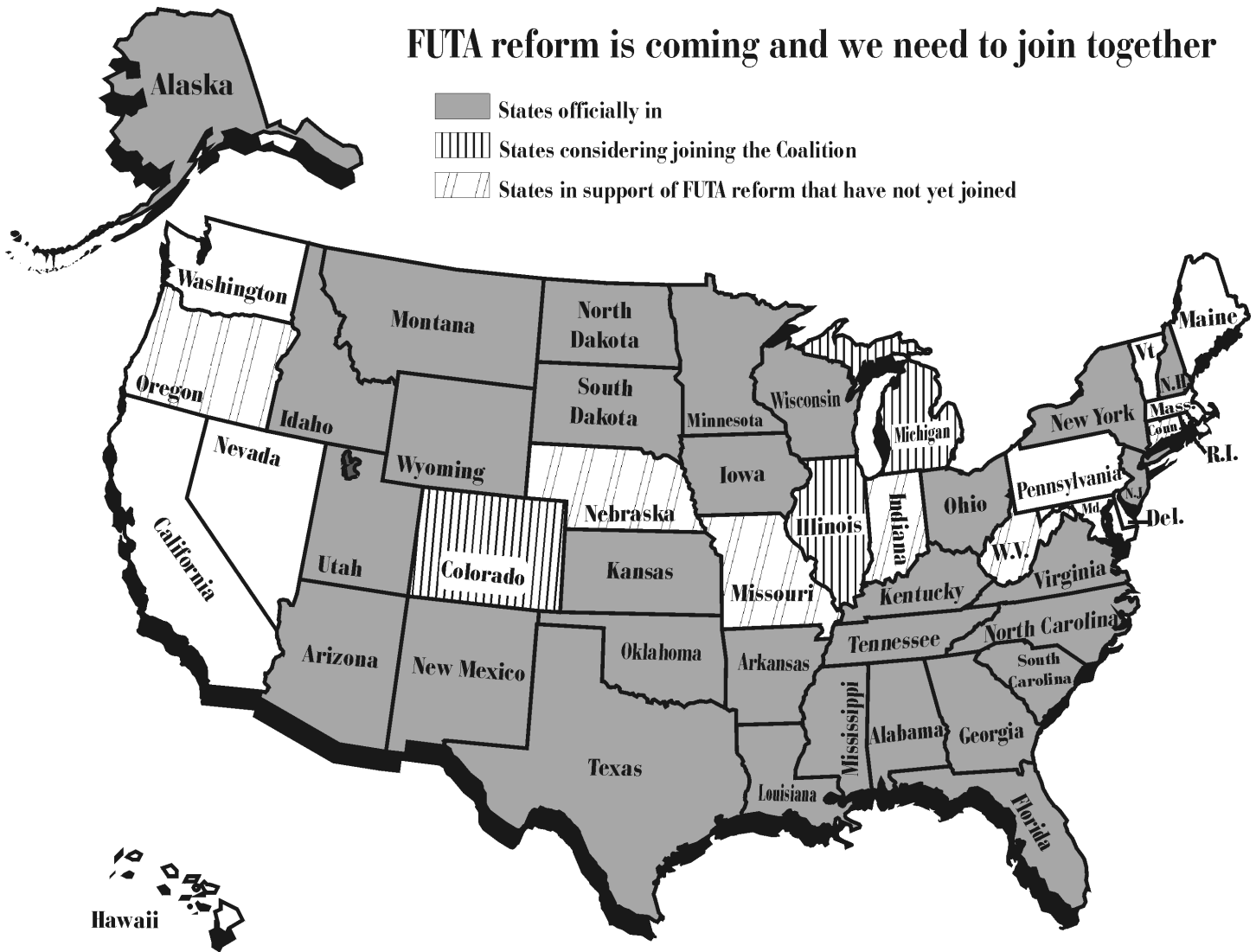
Organizations

American Payroll Assn.	Louisiana Assn. of Business & Ind.	Ohio Restaurant Assn.
American Society for Payroll Mgmt.	Louisiana Restaurant Assn.	Ohio Small Business Assn.
Arizona Chamber of Commerce	Michigan Employers UC Council	Ohio Soft Drink Assn.
Arizona Small Business Assn.	Michigan Health & Hospital Assn.	Ohio Trucking Assn.
Arkansas State Chamber of Commerce	Michigan Manufacturers' Assn.	Oklahoma Chamber of Commerce
Asso. General Contractors of Ohio	Michigan State Chamber of Commerce	Partnership Ohio, Inc.
Asso. Industries of FL	Midwest Dairy Foods Assn., Inc.	Pennsylvania Chamber of Bus. & Ind.
AIM -- Associated Industries of Massachusetts	Missouri JSEC	The Pet Pharmacy®
Associated Industries of Missouri	National AM VETS	Princeton Claims Management
AMT -- The Assn. for Mfg. Tech.	National Assn. for Alternative Staffing	Small Business Assn. of MI (SBAM)
Assn. of Unemployment Tax Organizations	National Assn. of Manufacturers	Small Business Survival Committee
Business Council of AL	National Broiler Council	Society for Human Res. Mgmt.
California Assn. of Hospitals & Health Systems	National Employers Council	TALX Corporation
The Center for Health Affairs	National Restaurant Assn.	Tennessee Assn. of Business
Chamber of Commerce of the U.S.	New Hampshire Bus. & Industry Assn.	Texas Assn. of Business and Chamber of Commerce
DaimlerChrysler Corporation	New Mexico JSEC	Thomas W. Ruff & Company
Delaware Employer Council	North Dakota Chamber of Commerce	Tyson Foods, Inc.
Florida Retail Association	Ohio AM VETS	USX Corporation
Food Marketing Institute	Ohio Assn. of Broadcasters	UWC -- Strategic Services on Unemployment & Workers' Comp.
Frank Gates Company	Ohio Assn. of Textile Services (OATS)	Virginia EAC
Frederick, Paul & Associates, Inc.	Ohio Assn. of Tobacco & Candy Distributors	Washington State Hospital Assn.
GatesMcDonald	Ohio Automobile Dealers Assn.	Waterfront Employers of New Orleans
Georgia Employer Committee	Ohio Chamber of Commerce	WestPoint Stevens, Inc.
Georgia-Pacific Corporation	Ohio Cleaners Assn. (OCA)	Wholesale Beer & Wine Assn. of Ohio
Greater Austin Chamber of Commerce	Ohio Consumer Finance Assn.	Wisconsin Manufacturers & Commerce
ID Assn. of Commerce & Industry	The Ohio Contractors Assn.	Wyoming Bankers Assn., Inc.
Indiana Manufacturers Assn.	Ohio Council of Retail Merchants	Wyoming Lodging & Restaurant Assn.
Integrated Technical Services (ITS)	Ohio Disabled American Veterans	Wyoming Retail Merchants Assn.
Iowa Assn. of Business & Industry	The Ohio Electric Utility Institute	Youngstown/Warren Regional Cham.
Kelly Services	Ohio Grocers Assn.	
Kentucky Chamber of Commerce	Ohio Hotel & Lodging Assn.	
	Ohio IAPES	
	Ohio Job Service Employer Council	
	Ohio Manufacturers' Assn.	
	Ohio Propane Gas Assn. (OPGA)	

**Keep up-to-date on FUTA Reform! Visit the Coalition web site at
www.state.oh.us/obes/FUTA.htm**

DeWine/McCrery proposal state support

FUTA reform is coming and we need to join together



HR 3174 Sponsors

McCrery-LA	LaTourette-OH
Bachus-AL	Lewis, R.-KY
Baker-LA	Linder-GA
Boehner-OH	McInnis-CO
Chamblis-GA	Oxley-OH
Collins, M.-GA	Portman-OH
Cubin-WY	Pryce-OH
Dickey-AR	Ramstad-MN
Foley-FL	Salmon-AZ
Gillmor-OH	Sessions-TX
Hansen-UT	Shadegg-AZ
Hayworth-AZ	Shaw-FL
Herger-CA	Stenholm-TX
Hobson, OH	Sununu-NH
Hutchinson, A.-AR	Traficant-OH
Isakson-GA	Watkins-OK
Largent-OK	

FUTA reform now available on disk, website

A Power Point presentation including updated 1998 comparison numbers has been developed explaining the FUTA reform proposal. The Power Point presentation is available on disk for others to use, and is available on the Ohio Bureau of Employment Services' website at www.obes.org/futa399/futashow.htm to be downloaded.

USDOL releases 1998 FUTA report

USDOL recently released the report for 1998 concerning FUTA revenue and return to states. On a national basis, employers paid \$6.558 Billion in FUTA taxes for 1998 and states received \$3.327 billion for administration of unemployment insurance, employment service, and the FUTA-funded parts of labor market information and veterans programs. *See graph on next page.*

6. As a result, states have been forced to assume these administrative costs in ways that essentially tax employers twice for services that should be paid for from the FUTA revenues already paid by employers.
7. Inadequate administrative funding has undermined the ability of state administrators to fully maintain the integrity of the system, leading to unnecessary program inefficiencies.
8. Employers are burdened by having to make separate federal and state unemployment tax filings.
9. Western governors have made a substantial commitment to job training and work force development within their states.

B. GOVERNORS' POLICY STATEMENT

1. Western governors support reforming through federal legislation the financing and administration of the National Employment Security System. These reforms should:
 - ◆ Reduce the tax burden placed on large and small businesses by repealing the unnecessary and "temporary" 0.2 percent FUTA surtax, thereby cutting FUTA taxes to 0.6 percent.
 - ◆ Develop a funding strategy that utilizes the FUTA tax dollars for their intended purpose and adequately funds the employment security system.
 - ◆ Preserve the protections for workers and more

adequately address the needs of the workers.

- ◆ Eliminate the inefficiencies experienced by employers by transferring responsibility for collecting the FUTA tax to the states.
- ◆ Strengthen the administration of the system by ensuring that states get a greater return on their employers' FUTA tax dollars and ensure greater accountability for the use of these funds.
- ◆ Improve employment services with an emphasis on re-employing dislocated workers.
- ◆ Combat fraud and abuse in the present system.
- ◆ Increase the states' flexibility to administer their unemployment insurance and employment services programs to serve the needs of their employers and workers.
- ◆ Develop a funding strategy that ensures that states with small tax bases will have administrative funds to deliver the employment security system.

C. GOVERNORS' MANAGEMENT DIRECTIVE

1. The Western Governors' Association shall transmit a copy of this resolution to the President, the Office of Management and Budget, the Secretary of Labor and the chairman and ranking minority member of the Senate Finance, Budget and Health, Education, Labor and Pensions committees, and to the chairman and ranking minority member of the House Ways and Means, Budget and Education and Workforce committees.

Approval of a Western Governors' Association resolution requires an affirmative vote of two-thirds of the Board of the Directors present at the meeting. All policy resolutions are posted on the WGA Web site www.westgov.org or copies may be requested by writing or calling:

**Western Governors' Association
600 17th St. Suite 1705 South
Denver, CO 80202-5452
Ph: (303) 623-9378
Fax: (303) 534-7309**

