



NASWA Winter Policy Forum

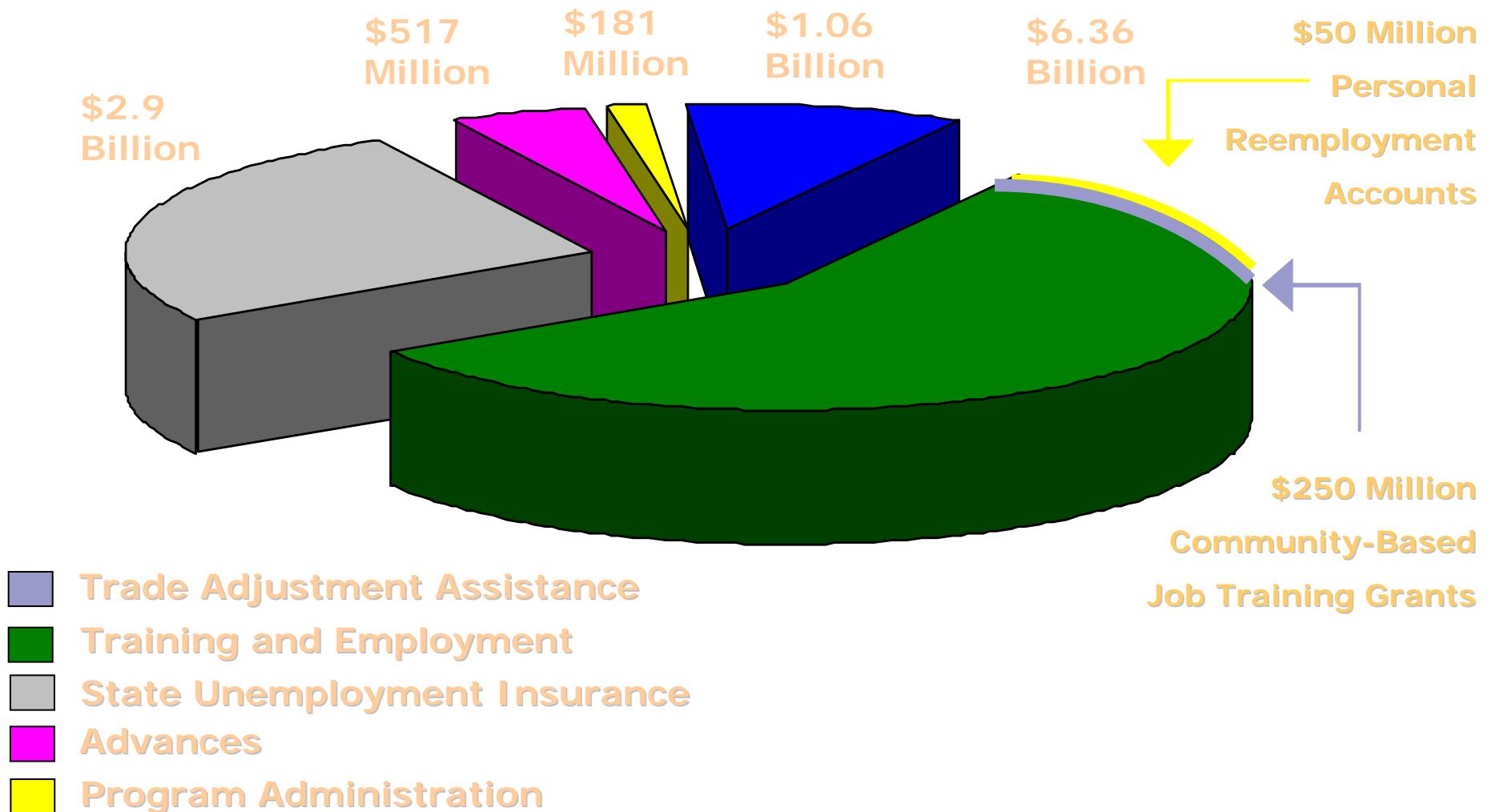
Unemployment Insurance Issues

March 18, 2004

eta

ETA FY 2005 Budget Request

Total Request : \$11.0 Billion



FY 2005 UI Budget Request

	FY 2004 Appropriation (3.467 AWIU & AWIU Contingency)	FY 2005 President's Budget (3.327 AWIU)	Change: Appropriation versus FY 2005
State Admin	2,608,653,000	2,700,714,000	92,061,000
National Activities	9,876,000	10,500,000	624,000
AWIU (Estimated)	68,640,000	0	-68,640,000
TOTAL	2,687,169,000	2,711,214,000	24,045,000



FY 2005 UI Budget Request

- Based on 3.327 million AWIU.
- Increase over FY 2004 appropriation by about \$24 million due to:
 - \$12.8 million increase- growth in workload for subject employers and wage records
 - \$9.4 million decrease- lower claims workload
 - \$20 million increase – 4 \$op Eligibility Interviews
 - \$0.6 million increase (National Activities) – ICON costs for processing UCX claims



One-Stop Eligibility Interviews

- 2005 Budget includes \$20 million for states to facilitate the reemployment of UI claimants and minimize UI overpayments.
- UI staff would conduct eligibility interviews in One-Stop Centers to promote use of reemployment resources and to ensure appropriate “work search” requirements are met.



Focus on Unemployment Insurance Integrity

- **Legislation to strengthen financial integrity:**
 - SUTA Dumping
 - National Directory of New Hires
 - Treasury Offset Program (TOP)



SUTA Dumping and National Directory of New Hires Legislation

- Curtails tax avoidance by unscrupulous employers who manipulate their state unemployment tax rates.
- Gives states access to National Directory of New Hires (NDNH) for administering UI program.



Treasury Offset Program (TOP) Proposal

- Recover UI overpayments through Treasury's TOP system that matches delinquent debts against Federal income tax refunds.
- Through ICON, SWAs would transmit records of people with UI overpayments to Treasury's database.
- When delinquent record is matched to an income tax refund, Treasury would deduct UI overpayment from the refund due to taxpayer and transmit \$ to state's UTF.



Proposal Regarding Household Employees

- FY 2005 budget includes Treasury Department's proposal, *requiring* household employers to report wages and pay a combined federal and state unemployment tax to federal government, annually – a flat tax.
- Proceeds would be kept by Treasury until needed to reimburse states for UC paid.
- Household employers (since 1994) have been able to report wages and pay FUTA, SS & Medicare taxes to IRS annually.
- In 2000, law allowed wages to be reported annually to UC agencies. Few states allow annual payment and reporting.



UI Reform

- Comprehensive reform legislation will not be proposed in 2004; however, the Administration is committed to reform.
- Currently, interested in states' reaction to a variation of the 2003 reform proposal to reform UI tax and administrative funding.



UI Reform

- State Choice: gives states the option of taking primary responsibility for funding administration of the UI program.
- Reduces FUTA in all states from 0.8% to 0.6%, a 25% cut.
- Reduces FUTA to 0.4% in year 1 and 0.2% in year 2, for states that elect to provide their own UI administrative funding.



UI Reform

- Features for States Electing to “Opt-in”
 - Gradually transfers funding administration of UI program to state governments (FY 2007).
 - Provides federal assistance during transition.
 - Provides hold-harmless funding.
 - Allows states to hold UI administrative funds in the state or in a sub-account in state’s UTF account.



UI Reform

- “Opt-In” Features (continued)
 - Continues federal discretionary grants to states not “opting in.”
 - Continues federal grants to all states for federal activities.
 - Provides administrative grants to states for innovative proposals.
- The State Choice proposal has not been adopted as Administration policy and is presented only to initiate discussion and consultation with States.