



# Unemployment Insurance Issues Workshop

*Virginia's views on the "Opt-In"  
proposal and its impact on  
the Reed Act*

# Devolution “Lite”

- Sec. Chao: “Now is not the time for comprehensive reform”
- Legislation will be deferred “until the states’ budget outlook improves”

# Original

- Cut FUTA 25% in 2003
- Reduce FUTA to 0.4% in 2005  
and to 0.2% in 2007

# State “Choice” or the “Carrot”

- Cut FUTA 25% on Jan. 1 of the year *“following enactment in all states”* ??
- For states that “opt” to fund their own administration:
  - Cut FUTA to 0.4% for 1<sup>st</sup> year
  - Cut FUTA to 0.2% for 2<sup>nd</sup> year and thereafter

# Reed Act in Administration's Proposal

- Transfer \$4b to “electing” states
  - (earliest FY 2005)
- “Special” Reed Act distribution to make up the difference between amount of RJM and amount appropriated by state legislature

# New “Flexibility”

- States, rather than Federal Government, determine requirements for Reed Act appropriations by state legislatures
- Present law requires Reed Act funds to be spent on:
  - UI benefits, or
  - Administration of UI or ES (Wagner-Peyser)

# Chao — Use Reed Act for TEUC

- ½ the states have used all Reed Act money or don't have enough left
- Impermissible — “use of Reed Act \$ for additional compensation is explicitly restricted to TEUC exhaustees”

— Department of Labor, 4/22/02

# Reed Act Options

- “Extending unemployment benefits is not a bad idea”

— Alan Greenspan, 03/11/04

- NASWA Resolution: Transfer \$9b from FUA to states

# Reed Act Options

- Virginia proposal to House Ways and Means (03/10/03):
  - Mandatory Reed Act distributions to make up difference between
    - Annual discretionary appropriations by Congress, and
    - Amounts necessary for proper and efficient administration of the programs



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