

HR-35/EDC-17. Employment Security System Policy

The Governors support a national system administered by the states, of unemployment benefits, employment service, and labor market information. Such a system of benefits serves an important public function to unemployed workers, job seekers, and the nation's business community.

The Governors are concerned WITH INEFFICIENCIES IN THE CURRENT SYSTEM of collecting taxes from employers to support the employment security system AND IN THE CURRENT SYSTEM OF DISTRIBUTING ADMINISTRATIVE FUNDS. Under current law, states collect taxes to support program benefits, while the Internal Revenue Service collects taxes to support program administration and certain extended benefits programs. OVER THE PAST SEVERAL YEARS, THE RETURN OF TAXES PAID FROM STATES TO FUND IMPORTANT EMPLOYMENT SECURITY SERVICES HAS DECREASED TO AN AVERAGE OF ONLY 51%, WITH SOME STATES RECEIVING BACK AS LITTLE AS 32%.

In addition, the Governors are concerned that the "TEMPORARY SURTAX" OF 0.2%, ENACTED IN 1976 IS STILL BEING COLLECTED TODAY DESPITE THE FACT THAT federal trust funds have extraordinary balances -- more than \$30 billion by the end of fiscal 2000 -- and not all of the funds are being used for the purposes for which they were collected. PROGRAM FLEXIBILITY HAS ALSO BEEN REDUCED BY THE FY 2000-2002 RESTRICTIONS ON REED ACT FUNDS, WHICH CAN ONLY BE USED FOR ADMINISTERING THE UNEMPLOYMENT COMPENSATION LAW. THESE FUNDS SHOULD BE DISTRIBUTED TO THE STATES PURSUANT TO THE ORIGINAL INTENT OF THE REED ACT WITH MAXIMUM FLEXIBILITY TO ALSO SUPPORT THE EMPLOYMENT SECURITY SYSTEM.

The Governors call on Congress and the President to CONTINUE WORKING TOWARDS RESOLVING ISSUES TO ADDRESS GOVERNORS' PRIORITIES INCLUDING PRESERVING PROTECTIONS FOR WORKERS, PROMOTION OF REEMPLOYMENT, REPEAL OF THE FUTA SURTAX, REDUCTION IN FRAUD AND ABUSE, INCREASING STATE FLEXIBILITY, PROVISION OF ADEQUATE ADMINISTRATIVE FUNDING, ENSURING ECONOMIC STABILIZATION, AND IMPROVED EFFICIENCY IN FUTA TAX COLLECTION.

Deleted: ¶ THE GOVERNORS ARE AWARE OF AND SUPPORT CURRENT DISCUSSIONS INVOLVING WORKERS, EMPLOYERS, AND STATE AND FEDERAL AGENCIES TO DEVELOP CONSENSUS RECOMMENDATIONS FOR CONGRESS TO ADDRESS THESE AND OTHER INADEQUACIES IN THE CURRENT SYSTEM.

Deleted: SUPPORT CONTINUED EFFORTS TO DEVELOP CONSENSUS ON

THE GOVERNORS ARE ALSO AWARE OF CURRENT DISCUSSIONS INVOLVING WORKERS, EMPLOYERS, AND STATE AND FEDERAL AGENCIES TO DEVELOP COMPREHENSIVE CONSENSUS RECOMMENDATIONS FOR CONGRESS TO ADDRESS THESE AND OTHER INADEQUACIES IN THE CURRENT SYSTEM. THE GOVERNORS URGE THE PARTICIPANTS IN THESE TALKS TO ADDRESS GOVERNORS' PRIORITIES AND TO INCLUDE THE

ISSUES DISCUSSED ABOVE IN THEIR DISCUSSIONS AND RECOMMENDATIONS.