

August 23, 2001

Honorable Elaine L. Chao
Secretary
U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210

Dear Secretary Chao:

Officials of the U.S. Department of Labor have projected “Reed Act distributions” to the state accounts of the Unemployment Trust Fund of about \$4 billion per year over the next ten years, beginning on October 1, 2002. Under the Social Security Act, you must recommend appropriate action to Congress regarding these distributions by September 30, 2001. I am writing to urge you to recommend Congress ensure these Reed Act distributions are spent on the purpose for which they were intended – maintaining sound unemployment insurance and employment service programs.

Congress should not act, as it did in 1987 and 1997, to block or delay Reed Act distributions to provide paper offsets against other spending unrelated to unemployment insurance and employment services. Many Members of Congress have opposed this type of budget manipulation applied to the Social Security and Medicare Trust Funds. It is time they opposed it for the Unemployment Trust Fund also.

As you know, insured unemployment is up significantly since last year – nearly 50 percent nationally, and 42.13 percent in Mississippi. Moreover, State Employment service programs must provide assistance to a growing number of job seekers while the purchasing power of federal grants relative to the size of the labor force has steadily dropped to only about 50 percent of the 1985 level. Under these circumstances, it is more important than ever for Congress to fund sound unemployment insurance and employment service programs.

There are many views on how best to use Reed Act distributions: shoring up administrative funding; tax relief for employers; benefit expansions for jobless workers; or financing some of the reforms the U.S. Department of Labor has been discussing with business, labor and states for over two years now. Further discussions on the matter are warranted. You would provide a valuable service to employers, workers, and states by

recommending the federal government keep the bargain it struck with the states when it enacted the Reed Act in 1954 and use the Reed Act funds for the improvement of Unemployment Insurance and Employment Service programs.

Thank you for your time and attention to this important matter. I look forward to your response.

Very truly yours,

Ronnie Musgrove

cc: Honorable Mitchell E. Daniels, Jr.
Director, Office of Management & Budget