

HOUSE BILL REPORT

SJM 8027

As Reported By House Committee On:
Commerce & Labor

Brief Description: Requesting that Congress help states with employment security system funding.

Sponsors: Senators Vognild, Newhouse, Moore, Amondson, Prentice, Sutherland, McAuliffe and Fraser.

Brief History:

Reported by House Committee on:
Commerce & Labor, February 23, 1994, DP.

HOUSE COMMITTEE ON COMMERCE & LABOR

Majority Report: Do pass. Signed by 9 members: Representatives Heavey, Chair; G. Cole, Vice Chair; Lisk, Ranking Minority Member; Chandler, Assistant Ranking Minority Member; Conway; Horn; King; Springer and Veloria.

Staff: Jim Kelley (786-7166).

Background: Federal unemployment taxes paid to the federal government by Washington State employers fund the administration and support of employment security programs in this state. However, the federal government, due to accounting practices, is not passing back to the states the full amount paid by employers.

Under the framework of the system outlined in the Federal Unemployment Tax Act (FUTA), state revenues finance unemployment benefits while the federal government collects a payroll tax, levied upon employers, which provides funds dedicated solely to the administration of both the federal and the state systems. The amount now being collected is more than adequate to fund the various state systems, but the amount returned to the states has been shrinking because these funds are included in the federal unified budget; therefore, the FUTA funds are subject to the domestic discretionary spending caps as required by the Balanced Budget and Emergency Deficit Control Act of 1985.

In the last five years the average yearly balance of the Employment Security Administration Account was \$1.68 billion. In 1994, the projected balance is \$1.96 billion.

Summary of Bill: The United States Congress is urged to:

- (1) Remove the dedicated FUTA trust fund money from the federal unified budget;
- (2) Exclude from the calculation of the federal budget deficit, balances in the Unemployment Trust Fund financed from dedicated revenues;
- (3) Make decisions about spending for extended unemployment benefits and administration of employment and unemployment programs on their merits and not federal budget deficit reduction rules; and
- (4) Provide states with the flexibility to meet the needs of unemployed Americans, particularly through better coordination between the various employment and training programs and by having the ability to respond early to situations that may be unique to their state.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This comes at the request of the Joint Unemployment Insurance Task Force. It is unfair to the states for the federal government to hang on to our tax money to balance their budget.

Testimony Against: None.

Witnesses: (In favor) Graeme Sackrison, Employment Security Department; and Clif Finch, Association of Washington Business.