

U.S. Department of Labor

Assistant Secretary for
Congressional and Intergovernmental Affairs
Washington, D.C. 20210

MEMORANDUM FOR: MEMBERS OF THE SUBCOMMITTEE
Subcommittee on Labor, Health and Human Services
and Education
Committee on Appropriations
U. S. House of Representatives

FROM: KRISTINE A. IVERSON 
Assistant Secretary

SUBJECT: USE OF 2002 REED ACT DISTRIBUTIONS

As you requested, we are pleased to provide the following information.

On March 14, 2002, \$8 billion was transferred to state Unemployment Insurance trust funds from excess funds in the federal unemployment accounts. The distribution of funds was authorized by an amendment to the Reed Act that was contained in section 209 of the Temporary Extended Unemployment Compensation (TEUC) Act of 2002 (Title II of the Job Creation and Worker Assistance Act of 2002, Public Law 107-147). The provision included special requirements relating to these funds that superseded certain requirements generally applicable under the Reed Act.

Specifically, the special \$8 billion Reed Act distribution may be used as follows:

- ❖ To administer the state's unemployment compensation law and "public employment offices," if appropriated by the state legislature.
- ❖ For the payment of unemployment insurance benefits. However, benefit use is limited to payment of "regular compensation" (the basic state benefit, including expansions of eligibility and increases in benefit levels) and "additional compensation, upon exhaustion of any temporary extended unemployment compensation." The use of the funds for benefit expansions or increases in benefit levels would require changes in the governing state laws.
- ❖ To improve the solvency of unemployment insurance trust funds.
- ❖ To reduce payroll taxes.

However, even if these Reed Act moneys are not *directly* used for certain benefit expansions, their availability for payment of "regular compensation" allows states to use other moneys for benefit expansions, including extensions of benefits for individuals who have exhausted regular compensation. Some states have already benefited from using their funds in this way.

According to a March 2003, GAO Report, nine states enhanced benefits due to the distribution:

- ❖ Vermont increased its weekly benefit amount.
- ❖ Connecticut, the District of Columbia, and Georgia used the monies for alternative base periods.
- ❖ Alabama, Maryland, Minnesota, Oklahoma, and Oregon reported that the Reed Act "had at least some effect in enabling their state to make UI benefit enhancements using funds from other sources."

In addition, the Department's records show the following states established special programs for individuals who exhausted unemployment insurance:

- ❖ New Hampshire provided 13 additional weeks to individuals who exhausted UI and TEUC benefits.
- ❖ Oregon provided 13 additional weeks.
- ❖ Utah provided 5 additional weeks to individuals who exhausted UI and TEUC (if TEUC was available).
- ❖ Vermont provided 13 additional weeks to individuals who did not qualify for TEUC.
- ❖ Wisconsin provided 8 additional weeks.

Finally, roughly 35 states have appropriated just over \$1 billion in Reed Act funds for a wide variety of UI administrative activities and employment services.

Please contact the Department of Labor at (202) 693-4600 if you need additional information on uses of Reed Act funds.