

March 2003

# UNEMPLOYMENT INSURANCE

## States' Use of the 2002 Reed Act Distribution



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### **Abbreviations**

ES	Employment Services
UI	Unemployment Insurance

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G A O

Accountability \* Integrity \* Reliability

United States General Accounting Office  
Washington, DC 20548

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March 6, 2003

The Honorable Edward M. Kennedy  
Ranking Minority Member  
Committee on Health, Education, Labor, and Pensions  
United States Senate

The Honorable Benjamin L. Cardin  
Ranking Minority Member  
Subcommittee on Human Resources  
Committee on Ways and Means  
House of Representatives

The Unemployment Insurance (UI) program, administered by the U.S. Department of Labor in partnership with states, plays a critical role in ensuring the financial security of America's workforce. In fiscal year 2002, state UI programs paid benefits totaling \$50.8 billion to 10.6 million unemployed workers.<sup>1</sup> In March 2002, in response to an increase in unemployment and the September 11, 2001, terrorist attacks, the federal government passed the Job Creation and Worker Assistance Act of 2002. This broad stimulus package included a distribution to states of \$8 billion of the unemployment tax revenue it holds in reserve, referred to as a Reed Act distribution.<sup>2</sup> Under the act, these funds may be used to pay UI benefits, and/or to enhance UI benefits, such as increasing weekly benefit payments, extending the period of time benefits are paid, or otherwise expanding eligibility to groups that currently do not qualify for benefits. The funds may also be used for the administration of UI and employment

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<sup>1</sup>For UI purposes, federal law designates the District of Columbia, Puerto Rico, and the Virgin Islands as "states."

<sup>2</sup>The term "Reed Act" refers to a part of the Employment Security Financing Act of 1954. The Reed Act provides that when federal accounts in the UI trust fund reach their statutory limits at the end of a federal fiscal year, any excess funds are transferred to state UI trust funds. Unlike "traditional" Reed Act distributions, this distribution was required regardless of the ceilings and did not take place at the beginning of a fiscal year.

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services (ES) programs, including one-stop service centers, if appropriated by state law.<sup>3</sup>

You asked us to determine how states used their calendar year (CY) 2002 Reed Act distributions. This report provides information on (1) the proportion of Reed Act dollars that states have spent, to date; (2) the proportion of total Reed Act dollars that remains in state UI trust funds and the effect this has had on employer UI taxes; (3) the proportion of those Reed Act dollars remaining in state UI trust funds that have been officially obligated to their trust funds or appropriated by state law for administering the UI, ES, or one-stop systems; and (4) the makeup of state UI advisory boards and any proposals they have made for using Reed Act dollars.

To obtain this information, we surveyed state workforce agency administrators in 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands. We also reviewed legislation, federal guidance, and other documents and data relevant to unemployment insurance and Reed Act distributions and interviewed Labor officials responsible for overseeing state activities related to the CY2002 Reed Act distribution. This work was conducted from August 2002 through February 2003 in accordance with generally accepted government auditing standards.

On February 24, 2003, we briefed your staff on the results of our work. This report conveys the information provided during that briefing.

In summary, we found that about 17 percent (\$1.34 billion) of the \$8 billion CY2002 Reed Act distribution had been spent as of November 30, 2002, based on responses to our survey. Most was expended by three states to pay regular benefits—New York, North Carolina, and Texas. A small portion (\$74 million) was expended on costs associated with administering UI, ES, or one-stop systems. One state spent Reed Act dollars to increase weekly UI benefit payments, and five other states said that the Reed Act dollars enabled their states to make enhancements to UI benefits during CY2002 using other funds. Three additional states reported that they plan to spend Reed Act dollars in 2003 to implement UI benefit enhancements.

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<sup>3</sup>The one-stop center system—a centralized service delivery structure consolidating delivery of most federally funded state and local employment and training assistance—was mandated by the Workforce Investment Act, passed in 1998.

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Eighty-three percent, or \$6.66 billion of the Reed Act distribution had not been spent as of November 30, 2002, and state workforce officials in 30 states reported that adding these dollars to their UI trust funds enabled them to avoid automatic employer tax increases or surcharges<sup>4</sup> in 2002. Five states said that they lowered employer tax rates in 2003.<sup>5</sup> Twenty-six states also reported that their employer tax rates would likely have been higher than they actually were in 2003, had it not been for the Reed Act distribution. This includes two states whose tax rates were lower in 2003 than 2002.

Nine states formally obligated \$1.27 billion of the Reed Act distribution to remain in their UI trust funds, citing the desire to avoid increases in employer UI taxes as the most frequent reason for doing this. In addition, 27 states passed laws appropriating a total of 7 percent of the Reed Act distribution (\$590 million) to be used for administrative costs of UI, ES, or one-stop systems. In general, states reported that few Reed Act dollars were being used to replace other state and federal funding sources to administer UI, ES, or one-stop systems.

Twenty-five states have UI advisory boards, which are largely made up of representatives of worker and employer groups, state workforce agency officials, or members of the general public. Only five states reported that their UI advisory board had developed or endorsed a proposal for the use of the Reed Act dollars.

We provided a draft of this report to officials at the Department of Labor for their technical review and incorporated their comments where appropriate.

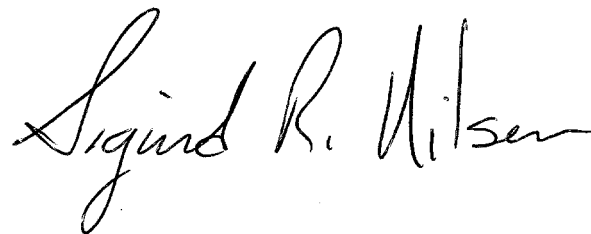
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<sup>4</sup>Forty-nine states set triggers that automatically increase employer taxes or institute surcharges when trust funds fall below specified levels.

<sup>5</sup>States set employer tax rates annually, and most states had their 2002 tax rates in place before the Reed Act distribution in March 2002.

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We are sending copies of this report to relevant congressional committees, the Secretary of Labor, and other interested parties. We will also make copies available to others upon request. The report is also available at no charge on GAO's Web site at <http://www.gao.gov>. If you or your staffs have any questions about this report, please contact me at (202) 512-7215 or Clarita Mrena at (202) 512-3022. Other major contributors are listed in appendix XI.

A handwritten signature in black ink that reads "Sigurd R. Nilsen". The signature is written in a cursive style with a large initial 'S' and a long horizontal stroke at the end.

Sigurd R. Nilsen, Director  
Education, Workforce, and  
Income Security Issues

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# Appendix I: Congressional Briefing Slides

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## **States' Use of the 2002 Reed Act Distribution**

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Briefing for Staff of  
Senator Edward M. Kennedy, Ranking Minority Member,  
Senate Committee on Health, Education, Labor, and Pensions,  
and  
Representative Benjamin L. Cardin, Ranking Minority Member,  
Subcommittee on Human Resources,  
House Committee on Ways and Means

February 24, 2003

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## Key Questions

- What proportion of calendar year (CY) 2002 Reed Act dollars have states spent, to date?
- Of the total CY2002 Reed Act dollars, what proportion remains in state unemployment insurance (UI) trust funds, and what effect has this had on employer taxes up until now?
- Of those Reed Act dollars that remain in state UI trust funds, what proportion have states officially obligated to remain in their trust funds, and what proportion have they appropriated by state law to be used for the administrative costs of (UI), employment services (ES), or one-stop systems?
- In addition, what is the makeup of state UI advisory boards and did they have proposals for using Reed Act dollars?



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## Scope and Methodology

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- Conducted a survey of, and received responses from the 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.
  - Reviewed legislation, federal guidance, and other documents and data relevant to the UI system and Reed Act distributions.
  - Interviewed and obtained data on UI systems from officials at the Department of Labor headquarters responsible for overseeing states' activities related to the Reed Act.
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## Summary of Results

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- About 17 percent of the \$8 billion Reed Act dollars disbursed in CY2002 has been spent, primarily on regular UI benefits, and only a small portion has been spent on benefit enhancements, UI, ES, or one-stop systems.
  - Of the \$8 billion, 83 percent remains in state trust funds, which has prevented automatic increases in employer taxes in 30 states.
  - Of those Reed Act dollars remaining in state trust funds, 16 percent has been officially obligated by some states to remain in their trust funds and about 7 percent has been appropriated by state law for administrative costs of UI, ES, or one-stop systems.
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## Summary of Results (cont'd)

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- In the 25 states that have UI advisory boards, the boards are largely made up of representatives of worker and employer groups, state UI or workforce agencies, or the general public.
  - Only five states reported that the UI advisory boards developed or endorsed a proposal for the use of the Reed Act dollars.
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## Background: Unemployment Insurance

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- Temporarily replaces a portion of earnings for wage and salary workers who become unemployed through no fault of their own.
  - Helps stabilize the economy during recessions by providing unemployed workers money for basic needs, which helps boost demand for goods and services.
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## Background: UI Is Financed by Federal and State Payroll Taxes Levied on Employers

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- Federal UI payroll tax - authorized by the Federal Unemployment Tax Act (FUTA)
    - Set at 6.2 percent on the first \$7,000 of a worker's earnings (including a 0.2 percent temporary surcharge adopted in 1976).
    - Employers in states with an approved state UI program receive a 5.4 percent federal tax credit.
    - All states have approved programs, so employers pay 0.8 percent in federal UI taxes.
  - State UI payroll tax - authorized by state law
    - Tax rates vary by state, and states have the option to set a higher taxable wage base than \$7,000.
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## **Background: State UI Taxes on Employers Primarily Cover the Cost of Regular Benefits and a Portion of Extended Benefits**

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- States deposit their taxes with the U.S. Treasury, which maintains one trust fund with a separate account for each state from which states pay UI benefits.
  - State UI tax schedules often vary according to some measure of a state's UI trust fund balance.
  - Forty-nine states set triggers that automatically increase employer taxes when UI trust funds fall below specified levels.
  - When unemployment rises, states can avoid raising taxes or borrowing money to pay benefits by building UI trust fund reserves when unemployment declines.
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## **Background: The 0.8 Percent Federal UI Payroll Tax Accumulates in Three Separate Accounts**

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- The Employment Security Administration Account (ESAA) covers both federal and state administrative costs of UI and ES.
  - The Extended Unemployment Compensation Account (EUCA) covers the federal share of extended UI benefits and has been used to fund temporary extended unemployment compensation benefits.
  - The Federal Unemployment Account (FUA) funds loans to insolvent state accounts.
  - When the three federal accounts reach their statutory limits, excess funds may be transferred to individual state accounts under the Reed Act. (See app. II.) There have been eight Reed Act distributions since 1956. (See app. III.)
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## **Background: Calendar Year 2002 Reed Act Distribution**

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- On March 9, 2002, the Job Creation and Worker Assistance Act of 2002 authorized the distribution of \$8 billion to the UI trust funds of all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.
    - Allotted amounts ranged from \$1.95 million to the Virgin Islands to \$936.9 million to California. (See app. IV for allotments by state.)
    - In general, each state's share is based on its proportionate share of FUTA taxable wages for CY2000.
    - In 49 states, the distribution increased trust fund amounts by 30 percent or less. (See app. V for increases.)
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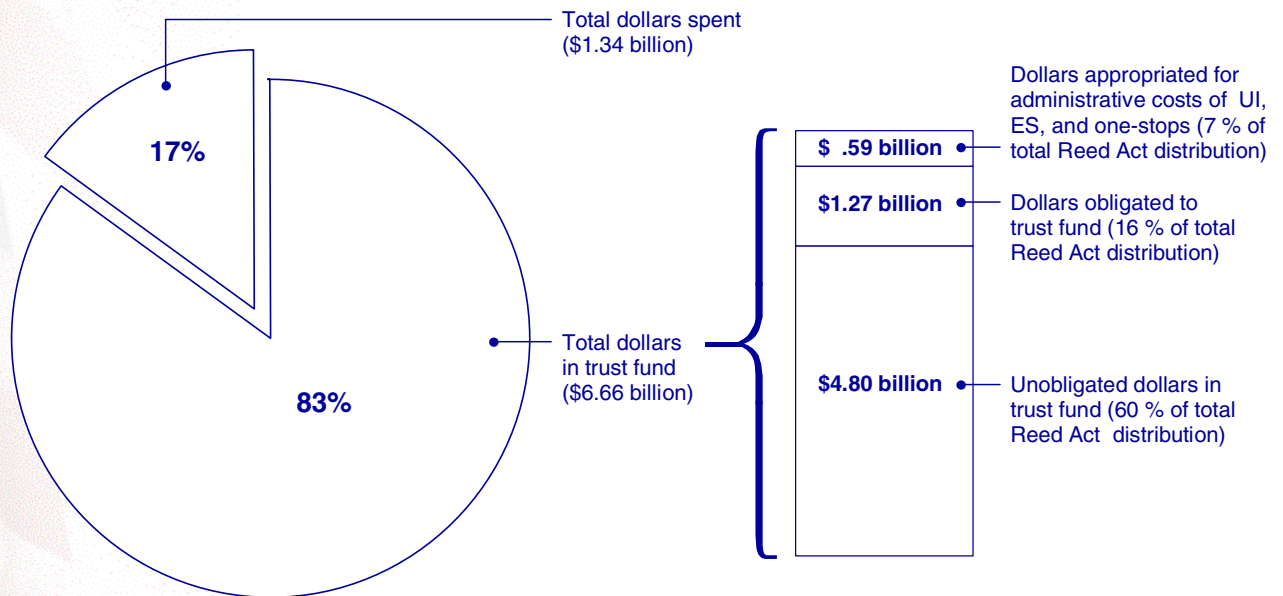
## **Background: Calendar Year 2002 Reed Act Distribution (cont'd)**

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- A state must have a specific appropriation from its legislature to use the funds for administrative costs of state UI and ES systems.
  - In addition, Labor issued guidance encouraging the use of CY2002 Reed Act dollars to support one-stop systems in the same way ES dollars are used. This also must be appropriated by state law.
  - There is no time limit on the use of the CY2002 Reed Act dollars for administrative purposes.
  - Once CY2002 Reed Act dollars have been appropriated by the state, they need not be expended in two years.
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## Status of the \$8 Billion Reed Act Distribution (as of November 30, 2002)



Source: GAO survey of states.



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## Seventeen Percent of the Reed Act Dollars Had Been Spent as of November 30, 2002

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- Of the \$1.34 billion spent, almost all was spent on regular benefits by three states. (See app. IV.)
    - New York spent \$302.5 million on regular benefits and \$188.8 million to repay a federal loan—100 percent of its allotment.
    - North Carolina spent \$240.9 million on regular benefits—100 percent of its allotment.
    - Texas spent \$534.7 million on regular benefits—90 percent of its allotment.
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## Reed Act Dollars From Nine States Enhanced UI Benefits

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- Vermont is the only state that reported spending Reed Act dollars on enhancing UI benefits in CY2002. They spent \$1.67 million to increase weekly UI benefit payments. (See app. VI.)
  - Five states (Alabama, Maryland, Minnesota, Oklahoma, and Oregon) reported that Reed Act dollars had at least some effect in enabling their states to make UI benefit enhancements using funds from other sources.
  - Connecticut, the District of Columbia, and Georgia reported that they are planning to use Reed Act dollars to implement an alternative base period in CY2003.
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## Small Amount Spent for Administrative Costs of UI, ES, or One-Stop Systems, So Far

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- In total, only \$74 million (1 percent) has been spent on administrative costs of the UI, ES, or one-stop systems.
    - Michigan and New Jersey reported spending a total of \$40.8 million on UI, ES, and one-stops, but were unable to provide the dollars spent for each program area.
    - Nine states have spent a total of \$22 million for UI systems.
    - Six states have spent a total of \$11.5 million on ES and one-stop systems.
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## **Eighty-Three Percent of the Reed Act Dollars Remain in States' Trust Funds as of November 30, 2002**

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- A total of \$6.66 billion remains in states' trust funds.
  - State officials from 30 of the 49 states that have automatic employer tax increases reported that Reed Act dollars helped them avoid automatically triggering these increases, as UI trust fund balances declined. (see app. VII.)
  - Five states said that they lowered employer tax rates in 2003.
  - Twenty-six states reported that their tax rates would likely have been higher than they actually were in 2003, had it not been for the Reed Act distribution. This includes two states whose tax rates were lower in 2003 than in 2002.
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## **Nine States Have Obligated Some Reed Act Dollars to Remain in Their UI Trust Funds**

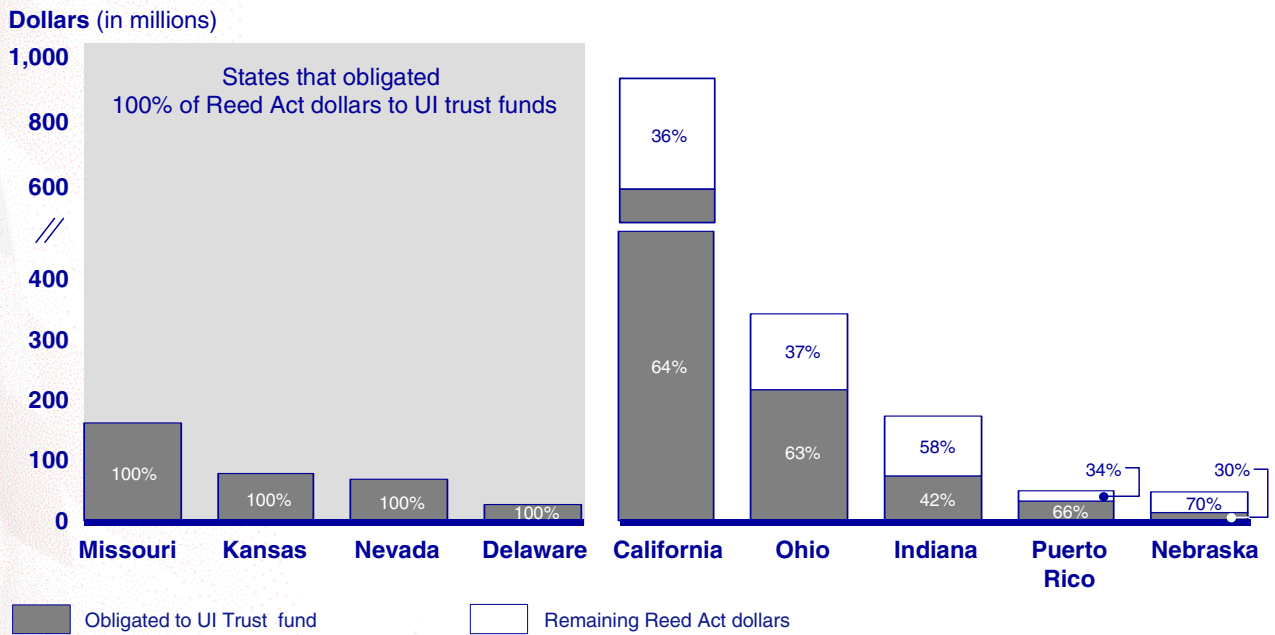
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- Nine states made binding policy decisions that obligated 16 percent of the \$8 billion Reed Act distribution to remain in UI trust funds. This accounted for \$1.27 billion.
  - State officials most frequently cited their desire to avoid raising employer taxes as the reason for obligating Reed Act dollars to UI trust funds.
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## Reed Act Dollars Obligated to UI Trust Funds



Source: GAO survey of states.



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## **Twenty-Seven States Appropriated Some Reed Act Dollars for Administrative Costs of UI, ES, or One-Stop Systems**

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- In addition to the \$74 million (1 percent) already spent to fund UI, ES, or one-stop systems, about 7 percent (\$590 million) of the total Reed Act distribution has been appropriated for administrative purposes and remains in states' UI trust funds.
  - Twenty-seven states have passed laws appropriating funds for administrative purposes. (See app. VIII.)
    - Five states appropriated funds for only UI.
    - Six states appropriated funds for only ES/one-stops.
    - Sixteen states appropriated funds for UI and ES/one-stops.
  - Eighteen states have legislative proposals pending to use CY2002 Reed Act dollars for administrative purposes. Twelve previously appropriated these funds for these purposes; 6 states have not.
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## **Twenty-One States Appropriated Reed Act Dollars for UI Systems (See app. IX.)**

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- Uses include:
    - enhancing technology for UI administration;
    - improving claims systems;
    - maintaining or increasing staffing; and
    - enhancing tax filing and payment systems.
  - Eighteen of the 21 states reported supporting UI program integrity activities with Reed Act funds. Activities include:
    - enhancing technology for UI administration;
    - improving wage reporting by employers; and
    - making enhancements to their claims filing systems.
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## **Twenty-Two States Appropriated Reed Act Dollars for ES and One-Stop Systems (See app. X.)**

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- Uses include:
    - enhancing technology;
    - providing labor exchange and other employment services;
    - maintaining or increasing staff;
    - providing reemployment services to UI claimants;
    - providing staff training and professional development; and
    - paying rent, utilities, and maintenance of facilities.
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## Some States Plan to Use Reed Act Dollars to Replace Funding from Other Sources

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- As allowed by law, 9 states reported they plan to use Reed Act dollars to replace funding for UI, ES, or one-stop systems that previously came from other state and/or federal sources.
    - Five states reported planning to replace funds that previously came from state funding sources such as general revenue funds or penalty and interest funds.
    - Three states reported planning to replace funds that previously came from a combination of state funding sources and federal sources such as the Workforce Investment Act or the Temporary Assistance to Needy Families (TANF) programs.
    - One state reported planning to replace funds that previously came from the TANF program.
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## UI Advisory Boards Had Little Influence on Use of Reed Act Dollars

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- State officials reported having
    - UI advisory boards in 25 states.
    - No UI advisory board or an inactive board in 28 states.
  - Most states' advisory boards included business, labor, UI program or other workforce program representatives, or members of the general public.
  - Five states, Indiana, Nevada, Ohio, Utah, and Wisconsin, reported that their UI advisory board developed or endorsed a proposal for the use of the Reed Act dollars.
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# Appendix II: Balances and Ceilings for Federal UI Payroll Tax Accounts

(Dollars in billions)			
<b>Account</b>	<b>Purpose</b>	<b>Account balance as of 1-31-03</b>	<b>Projected ceiling<sup>a</sup> 9-30-03</b>
Employment Security Administration Account (ESAA)	Funds both federal and state administrative costs of UI and ES.	\$1.354	\$1.632
Extended Unemployment Compensation Account (EUCA)	Funds the federal share of extended UI benefits.	\$11.246	\$19.174
Federal Unemployment Account (FUA)	Funds loans to insolvent state UI trust funds.	\$10.903	\$19.174
<b>Total</b>		<b>\$23.503</b>	<b>\$39.98</b>

Source: U.S. Department of Labor.

Note: There is a statutory cap or ceiling placed on the size of each of these accounts. The ceiling for the ESAA account is 40 percent of the appropriated amounts during the fiscal year for which the ceiling is being calculated. For the EUCA and FUA accounts, this ceiling is 0.5 percent of the total covered wages in the prior calendar year.

<sup>a</sup>The ceilings for these accounts are calculated each September. By that time, all funds will have been appropriated for the year, and total covered wages for the prior year will be known. The amounts noted here are Labor's projections of what the ceilings should be in September 2003 based on their estimates, at this time, of the total amount appropriated for 2003, and total covered wages in calendar year 2002.

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# Appendix III: Reed Act Distributions

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<b>Distribution date</b>	<b>Amount</b>
July 1, 1956	\$33.4 million
July 1, 1957	\$71 million
July 1, 1958	\$33.5 million
October 1, 1998	\$16 million
October 1, 1999	\$100 million
October 1, 2000	\$100 million
October 1, 2001	\$100 million
March 13, 2002	\$8 billion

Source: U.S. Department of Labor.



# Appendix IV: Status of CY2002 Reed Act Dollars by State, as of 11-30-2002

State	Total Reed Act allotment	Percent expended	Unexpended		
			Percent appropriated for administration of UI, ES, or one-stop systems	Percent officially obligated to UI trust fund	Percent neither appropriated nor obligated
Alabama	\$110,623,477	0	15.0	0	85.0
Alaska	14,820,932	0.5	19.7	0	79.8
Arizona	144,079,575	0	0	0	100
Arkansas	63,958,998	0	0	0	100
California	936,873,766	0.6	3.7	64.0	31.6
Colorado	142,666,574	0	0	0	100
Connecticut	100,418,304	0	9.0	0	91.0
Delaware	26,024,719	0	0	100	0
District of Columbia	25,765,401	0	31.3	0	68.7
Florida	449,667,718	0.4	3.2	0	96.4
Georgia	249,673,858	0	<sup>a</sup>	0	100
Hawaii	30,761,048	0	0	0	100
Idaho <sup>b</sup>	32,244,586	21.7	0	0	78.3
Illinois	376,244,918	0	0	0	100
Indiana	174,573,012	0	0	42.4	57.6
Iowa	82,395,262	1.2	35.2	0	63.6
Kansas	78,166,750	0	0	100	0
Kentucky	103,829,381	0	0	0	100
Louisiana	105,499,296	0	24.9	0	75.1
Maine	32,486,816	0	0	0	100
Maryland	142,929,005	0	0	0	100
Massachusetts	193,639,110	0	1.3	0	98.7
Michigan	291,485,481	13.9	85.0	0	1.2
Minnesota <sup>b</sup>	163,061,573	7.4	0	0	92.6
Mississippi	64,670,097	1.4	23.3	0	75.3
Missouri	161,426,814	0	0	100	0
Montana	18,551,627	3.0	97.0	0	0
Nebraska	48,380,203	0	0	28.9	71.1
Nevada	68,082,942	0	0	100	0
New Hampshire	38,475,620	0	0	0	100
New Jersey	242,816,310	0.2	15.1	0	84.8
New Mexico	38,599,338	0	0	0	100
New York	491,343,135	100	0	0	0
North Carolina	240,892,032	100	0	0	0
North Dakota	15,267,835	0.4	1.1	0	98.5
Ohio	343,709,635	0.4	14.4	63.0	22.1
Oklahoma	81,441,628	0	2.5	0	97.5
Oregon	98,029,105	0	0	0	100
Pennsylvania	337,595,975	0.1	4.3	0	95.6
Puerto Rico	48,875,605	0	33.8	66.2	0

**Appendix IV: Status of CY2002 Reed Act  
Dollars by State, as of 11-30-2002**

State	Total Reed Act allotment	Percent expended	Unexpended		
			Percent appropriated for administration of UI, ES, or one-stop systems	Percent officially obligated to UI trust fund	Percent neither appropriated nor obligated
Rhode Island	27,123,409	0	9.6	0	90.4
South Carolina	108,203,982	1.5	0	0	98.5
South Dakota	19,140,671	0	0	0	100
Tennessee	162,633,730	0	4.6	0	95.4
Texas	596,446,497	89.7	0	0	10.3
Utah	61,627,678	0	3.5	0	96.5
Vermont	16,395,967	10.2	0	0	89.8
Virgin Islands	1,950,917	5.1	2.9	0	92.0
Virginia	214,949,942	1.2	13.2	0	85.6
Washington	167,011,815	0	0	0	100
West Virginia	36,210,068	0	10.3	0	89.7
Wisconsin	166,214,419	0	0	0	100
Wyoming	12,043,444	0	0	0	100
<b>United States</b>	<b>\$8,000,000,000</b>	<b>16.8</b>	<b>7.4</b>	<b>15.9</b>	<b>60.0</b>

Source: GAO data and U.S. Department of Labor data.

<sup>a</sup>Appropriated Reed Act funds for administration of UI, but could not specify the dollar amount allocated for this purpose.

<sup>b</sup>Appropriated Reed Act funds for administration of UI, ES, or one-stop systems and expended all the dollars appropriated.

# Appendix V: CY2002 Reed Act Distribution as a Percent of New UI Trust Fund Balances and Average High Cost Multiples (AHCM)

State	UI trust fund balance as of 12-31-01 (dollars in millions)	2002 Reed Act allotment (dollars in millions)	Distribution as percent of new UI trust fund balance <sup>a</sup>	AHCM as of December 2000	AHCM as of December 2001
Alabama	\$324.4	\$110.6	25	.065	0.5
Alaska	231.9	14.8	6	1.03	1.03
Arizona	954.0	144.1	13	1.68	1.57
Arkansas	179.2	64.0	26	0.68	0.45
California	5,689.4	936.9	14	0.78	0.77
Colorado	684.5	142.7	17	1.05	0.89
Connecticut	629.7	100.4	14	0.96	0.7
Delaware	312.5	26.0	8	2.02	1.83
District of Columbia	278.3	25.8	8	1.05	1.07
Florida	1,761.8	449.7	20	1.4	1.17
Georgia	1,542.4	249.7	14	1.79	1.43
Hawaii	306.5	30.8	9	1.56	1.47
Idaho	233.4	32.2	12	0.95	0.79
Illinois	1,382.4	376.2	21	0.48	0.32
Indiana	1,330.3	174.6	12	1.57	1.31
Iowa	772.8	82.4	10	1.24	1.15
Kansas	473.7	78.2	14	0.93	0.87
Kentucky	544.3	103.8	16	0.77	0.59
Louisiana	1,508.9	105.5	7	1.36	1.3
Maine	410.3	32.5	7	1.43	1.66
Maryland	826.3	142.9	15	0.94	0.84
Massachusetts	1,770.5	193.6	10	1.01	0.83
Michigan	2,601.3	291.5	10	0.75	0.65
Minnesota	450.0	163.1	27	0.58	0.36
Mississippi	658.7	64.7	9	1.98	1.87
Missouri	276.3	161.4	37	0.55	0.32
Montana	186.9	18.6	9	1.42	1.41
Nebraska	144.1	48.4	25	0.99	0.78
Nevada	481.3	68.1	12	1.07	0.97
New Hampshire	317.0	38.5	11	2.01	1.91
New Jersey	3,121.7	242.8	7	1.15	1.16
New Mexico	581.3	38.6	6	2.79	2.74
New York	474.9	491.3	51	0.31	0.12
North Carolina	626.3	240.9	28	0.91	0.48
North Dakota	33.4	15.3	31	0.28	0.28
Ohio	1,904.0	343.7	15	0.64	0.55
Oklahoma	491.0	81.4	14	1.46	1.21
Oregon	1,467.7	98.0	6	1.48	1.41
Pennsylvania	2,380.4	337.6	12	0.68	0.56
Puerto Rico	507.0	48.9	9	1.24	1.16

**Appendix V: CY2002 Reed Act Distribution as  
a Percent of New UI Trust Fund Balances and  
Average High Cost Multiples (AHCM)**

<b>State</b>	<b>UI trust fund balance as of 12-31-01 (dollars in millions)</b>	<b>2002 Reed Act allotment (dollars in millions)</b>	<b>Distribution as percent of new UI trust fund balance<sup>a</sup></b>	<b>AHCM as of December 2000</b>	<b>AHCM as of December 2001</b>
Rhode Island	277.8	27.1	9	0.89	0.83
South Carolina	627.2	108.2	15	1.29	1.03
South Dakota	45.5	19.1	30	0.84	0.72
Tennessee	650.7	162.6	20	0.9	0.66
Texas	439.8	596.4	58	0.26	0.15
Utah	564.8	61.6	10	1.61	1.42
Vermont	308.4	16.4	5	2.54	2.46
Virgin Islands	64.1	2.0	3	3.33	3.03
Virginia	905.5	214.9	19	1.32	1.07
Washington	1,796.1	167.0	9	1.04	0.96
West Virginia	239.6	36.2	13	0.52	0.54
Wisconsin	1,585.1	166.2	9	1.08	0.93
Wyoming	195.1	12.0	6	1.61	1.56
<b>United States</b>	<b>\$46,550.7</b>	<b>\$8,000</b>	<b>15</b>	<b>0.91</b>	<b>0.78</b>

Source: U.S. Department of Labor.

Note: The average high cost multiple (AHCM) indicates how many years a state can pay benefits before its trust fund became insolvent. It is based on the average amount a state paid out in UI benefits during its 3 highest cost years in the previous 20 years, without collecting any additional revenue. As a guideline, the Department of Labor uses a reserve multiple of 1.0 as a minimally acceptable level of solvency.

<sup>a</sup>Percentage of new UI trust fund balance was calculated by dividing the amount of the Reed Act allotment by the sum of that amount and the UI trust fund balance as of 12-31-01.

# Appendix VI: Unemployment Insurance Benefit Enhancements Made in CY2002, by State

State	Used/planned to use Reed Act dollars to enhance benefits, or distribution otherwise enabled state to do so	Test/implement alternative base period	Expand eligibility to part-time workers	Increase weekly UI benefit payments	Increase maximum number of weeks of potential UI	Extend benefits to individuals who have exhausted coverage	Other changes to UI benefits <sup>a</sup>
Alabama	Enabled			•			
California			•	•			•
Colorado				•			
Connecticut	Plans to use	•		•			
District of Columbia	Plans to use	•		•			
Georgia	Plans to use	•		•			
Idaho				•			
Indiana				•			
Iowa				•			
Maryland	Enabled			•		•	•
Michigan				•			
Minnesota	Enabled			•	•	•	
New Hampshire				•			
New Jersey						•	•
Ohio				•			
Oklahoma	Enabled	•					
Oregon	Enabled			•			
Rhode Island							•
South Carolina				•			
Texas				•		•	
Vermont	Used			•			
Virgin Islands				•			
Washington						•	•
Wisconsin			•	•		•	•
Wyoming				•			•
<b>Total: 25</b>	<b>9</b>	<b>4</b>	<b>2</b>	<b>21</b>	<b>1</b>	<b>6</b>	<b>7</b>

Source: GAO survey of states.

<sup>a</sup>Other changes include activities such as: elimination of the waiting week, reduction of social security offsets, and increasing the replacement rate for benefits.

# Appendix VII: Effect of Reed Act Distribution on Employer Taxes as Reported by States

State	Automatic increases in UI tax/surcharge triggered if trust fund falls below certain level	Reed Act funds prevented triggering an increase in a tax or surcharge in 2002 <sup>a</sup>	2003 tax rates compared to 2002 tax rates			Without the Reed Act distribution, tax rates for 2003 would likely have been higher than they were
			Higher in 2003 than in 2002	Same in 2003 as in 2002	Lower in 2003 than in 2002	
Alabama	•	•		•		•
Alaska	•				•	
Arizona				•		•
Arkansas	•	•	•			•
California	•	•	•			•
Colorado	•	•		•		•
Connecticut	•	•		•		
Delaware	•	•		•		•
District of Columbia	•				•	•
Florida	•	•	•			•
Georgia	•			•		
Hawaii	•		•			
Idaho	•			•		
Illinois	•			•		
Indiana	•	•	•			
Iowa	•	•	•			
Kansas	•		•			•
Kentucky	•	•	•			•
Louisiana	•			•		
Maine	•				•	•
Maryland	•	•		•		•
Massachusetts	•	•		•		
Michigan	•		•			
Minnesota	•	•	•			•
Mississippi	•	•		•		•
Missouri	•	•	•			
Montana	•	•		•		•
Nebraska			•			
Nevada				•		•
New Hampshire	•	•	•			•
New Jersey	•			•		
New Mexico	•			•		
New York	•	•	•			
North Carolina	•	•	•			•
North Dakota				•		

**Appendix VII: Effect of Reed Act Distribution  
on Employer Taxes as Reported by States**

State	Automatic increases in UI tax/surcharge triggered if trust fund falls below certain level	Reed Act funds prevented triggering an increase in a tax or surcharge in 2002 <sup>a</sup>	2003 tax rates compared to 2002 tax rates			Without the Reed Act distribution, tax rates for 2003 would likely have been higher than they were
			Higher in 2003 than in 2002	Same in 2003 as in 2002	Lower in 2003 than in 2002	
Ohio	•	•		•		•
Oklahoma	•	•	•			
Oregon	•	•	•			
Pennsylvania	•	•	•			•
Puerto Rico <sup>b</sup>	•					
Rhode Island	•			•		
South Carolina	•	•	•			
South Dakota <sup>c</sup>	•		•			
Tennessee	•	•		•		•
Texas	•	•	•			•
Utah	•	•	•			•
Vermont	•	•		•		•
Virgin Islands	•				•	
Virginia	•	•	•			•
Washington	•	•	•			•
West Virginia	•			•		
Wisconsin	•		•			
Wyoming	•				•	
<b>Total</b>	<b>49</b>	<b>30</b>	<b>25</b>	<b>22</b>	<b>5</b>	<b>26</b>

Source: GAO survey of states.

<sup>a</sup>According to the Department of Labor, for most states, any increases triggered in CY2002 would not have gone into effect until CY2003.

<sup>b</sup>Data for this state was not available.

<sup>c</sup>Data for this state is preliminary. Final rates have not been determined.

# Appendix VIII: States with Reed Act Dollars Appropriated by Law for UI, ES, or One-Stop Systems, as of 11-30-2002

State	Total Reed Act allotment	Reed Act dollars appropriated for UI, ES, or one-stop systems			
		Reed Act dollars appropriated for UI system	Reed Act dollars appropriated for ES or one-stop system	Amount spent as of 11-30-02	Amount remaining in the trust fund as of 11-30-02
Alabama	\$110,623,477	•	•	0	\$16,593,522
Alaska	14,820,932	•	•	\$76,656	2,923,344
California	936,873,766	•	•	5,700,000	34,936,000
Connecticut	100,418,304	•	•	0	9,000,000
District of Columbia	25,765,401	•		0	8,060,000
Florida	449,667,718		•	1,684,530	14,544,970
Georgia	249,673,858	•		<sup>a</sup>	<sup>a</sup>
Idaho	32,244,586	•	•	7,000,000	0
Iowa	82,395,262	•		992,109	29,007,891
Louisiana	105,499,296	•	•	0	26,316,771
Massachusetts	193,639,110		•	0	2,425,000
Michigan	291,485,481	•	•	40,378,377	247,621,623
Minnesota	163,061,573	•		12,000,000	0
Mississippi	64,670,097		•	905,889	15,094,111
Montana	18,551,627	•	•	565,143	17,986,484
New Jersey	242,816,310	•	•	433,514	36,566,486
North Dakota	15,267,835	•		57,868	173,604
Ohio	343,709,635	•	•	1,531,288	49,468,712
Oklahoma	81,441,628		•	0	2,000,000
Pennsylvania	337,595,975	•	•	444,337	14,555,663
Puerto Rico	48,875,605	•	•	0	16,500,000
Rhode Island	27,123,409		•	0	2,600,000
Tennessee	162,633,730	•	•	0	7,400,000
Utah	61,627,678		•	0	2,160,000
Virgin Islands	1,950,917	•	•	98,548	56,577
Virginia	214,949,942	•	•	2,529,421	28,376,035
West Virginia	36,210,068	•	•	0	3,745,000
<b>Total: 27</b>	<b>\$4,413,593,220</b>	<b>21</b>	<b>22</b>	<b>\$74,397,680</b>	<b>\$588,111,793</b>

Source: GAO survey of states.

<sup>a</sup>State was unable to report dollar amount.



# Appendix IX: UI Administrative Activities, by State, for which CY2002 Reed Act Dollars had been Appropriated, as of 11-30-2002

State	General technology	Staff	Claims system developments	Tax filing and paying enhancements	Appeals system improvements	Direct deposit/debit cards	Program integrity	Other
Alabama	•	•	•	•			•	
Alaska				•				
California		•					•	•
Connecticut	•		•	•			•	
District of Columbia		•				•	•	•
Georgia <sup>a</sup>								
Idaho	•	•	•				•	
Iowa	•		•	•	•	•	•	
Louisiana	•		•	•			•	•
Michigan		•					•	•
Minnesota	•		•	•	•	•	•	
Montana	•	•	•				•	
New Jersey	•		•		•		•	
North Dakota	•						•	
Ohio	•	•	•	•	•		•	
Pennsylvania <sup>a</sup>								
Puerto Rico	•	•	•	•	•	•	•	
Tennessee	•	•	•	•			•	•
Virgin Islands	•		•				•	•
Virginia		•					•	
West Virginia	•		•				•	•
<b>Total: 21</b>	<b>14</b>	<b>10</b>	<b>13</b>	<b>8</b>	<b>5</b>	<b>4</b>	<b>18</b>	<b>7</b>

Source: GAO survey of states.

<sup>a</sup>State was unable to report how dollars were allocated.

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**Appendix IX: UI Administrative Activities, by  
State, for which CY2002 Reed Act Dollars had  
been Appropriated, as of 11-30-2002**

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# Appendix X: ES and One-Stop Administrative Activities for which CY2002 Reed Act Dollars had been Appropriated, as of 11-30-2002

State	Labor exchange and employment services	Maintain or increase staff	Shared cost of operating one-stop centers	Reemployment services to UI claimants	Pay rent, utilities, or maintain facilities
Alabama					
Alaska					
California	•	•			•
Connecticut	•	•		•	•
Florida	•		•		•
Idaho	•	•		•	
Louisiana	•			•	
Massachusetts	•	•		•	
Michigan					
Mississippi					
Montana	•	•	•		•
New Jersey	•		•	•	
Ohio	•	•		•	
Oklahoma	•	•	•		•
Pennsylvania	•	•	•	•	•
Puerto Rico		•		•	•
Rhode Island	•	•	•	•	•
Tennessee					
Utah	•	•			
Virgin Islands					
Virginia	•	•	•	•	•
West Virginia					
<b>Total: 22</b>	<b>14</b>	<b>12</b>	<b>7</b>	<b>10</b>	<b>9</b>

Source: GAO survey of states.

**Appendix X: ES and One-Stop Administrative  
Activities for which CY2002 Reed Act Dollars  
had been Appropriated, as of 11-30-2002**

<b>Enhance technology</b>	<b>Resource room resources, outreach or informational material</b>	<b>Training/professional development of staff</b>	<b>Improve access for those with disabilities or limited English proficiency</b>	<b>Buy buildings or land</b>	<b>Other</b>
•					
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•	•	•			
<b>17</b>	<b>9</b>	<b>9</b>	<b>5</b>	<b>2</b>	<b>7</b>

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# Appendix XI: GAO Contact and Staff Acknowledgments

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**GAO Contact**

Clarita Mrena, (202) 512-3022

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