

MINUTES OF THE SENATE COMMERCE COMMITTEE.

The meeting was called to order by Chairperson Karin Brownlee at 7:30 a.m. on March 26, 2003 in Room 123-S of the Capitol.

All members were present except: Senator Brungardt, absent  
Senator Steineger, absent

Committee staff present: April Holman, Legislative Research  
Deb Hollon, Legislative Research  
Mitch Rice, Revisor of Statutes  
Jodie Anspaugh, Secretary

Conferees appearing before the committee: Jim Garner, Kansas Department of Human Resources  
Terry Leatherman, KCCI  
Wayne Maichel, AFL-CIO

Others attending: See attached list.

Chairperson Brownlee opened the hearings on SB 269 and SB 270. April Holman, Legislative Research, briefed the committee on the bills. SB 269 modifies unemployment benefits, and SB 270 places a one year moratorium on the one week waiting period to receive unemployment benefits. Secretary Garner noted that SB 269 would cost \$8.8 million at most. Senator Kerr thought it would be no more than \$2-3 million.

Jim Garner, Secretary of the Kansas Department of Human Resources, testified as a proponent to SB 269 and SB 270. (Attachment 1) Secretary Garner noted that the week of January 25, 2003, was the highest ever for unemployment payouts. The current mandatory one week waiting period was enacted in the time before computers and is no longer necessary. In the first week of unemployment, the individual is unable to receive monetary benefits. If we had not had the waiting week last year, \$13.9 million in additional benefits would have been paid out to unemployed individuals. The only way an individual collects the waiting week benefits is if they exhaust all their entitlement of benefits, usually 26 weeks. Secretary Garner attached proposed changes to each bill. His change to SB 270 makes it more clear that the intent of the bill is to eliminate the waiting period, and the change to SB 269 makes it clear that a person must exhaust all federally available benefits before receiving the additional state-provided week. Secretary Garner answered questions from the committee regarding severance packages and typical unemployment benefits.

Terry Leatherman, Kansas Chamber of Commerce and Industry, testified against SB 269 and SB 270. (Attachment 2) He is concerned because this legislation proposes to remove funds from the Kansas Employment Security Trust Fund. The Trust Fund's balance is currently 17% less than it was four months ago. As unemployment benefits have soared, unemployment taxes paid by employers have increased. Both of these bills are tax increase measures. Attached to his testimony is a chart showing how states are using the Reed Act dollars. Eight states have used a portion of the Reed Act allotment for some form of an unemployment benefit increase. Senator Wagle noted that a small employer who pays less wages puts a higher percentage into the unemployment fund, yet small employers are the ones that are still employing.

Wayne Maichel, Kansas AFL-CIO, testified in support of SB 270. He said that Wichita is the now the number one city in the United States affected by the terrorist attacks of September 11, 2001. The best way to support Kansas workers is to eliminate the one week waiting period for one year, and not to add an additional week to unemployment benefits.

Chairperson Brownlee closed the hearings on SB 269 and SB 270.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMERCE COMMITTEE at 7:30 a.m. on March 26, 2003 in Room 123-S of the Capitol.

Senator Barone moved to recommend SB 270 favorable for passage. The motion died for lack of a second.

Senator Emler moved to amend SB 269 to add the additional week after all available state and federal programs have been exhausted. Senator Jordan seconded. The motion carried.

Senator Emler moved to pass SB 269 and recommend it favorably for passage as amended. Senator Barone seconded. The motion carried.

Chairperson Brownlee announced that the Commerce Committee will attend a briefing tomorrow by Jeff Turner of The Boeing Company regarding a new plane they are developing at 12:30 in the Old Supreme Court Room.

The meeting was adjourned at 8:46 a.m.

SENATE COMMERCE COMMITTEE

GUEST LIST

DATE: Wednesday, March 26, 2003

NAME	REPRESENTING
Elaine Frisbre	Div. of the Budget
Terry Leatherman	KCCI
Jim Garner	KDHR
Bill Hayes	KSHR
Wayne Markel	K. AFL. CIO
Debbie Snow	CWA
Andy Shaw	Goodyear Tire & Rubber Co.

TESTIMONY IN SUPPORT  
OF SENATE BILL 270  
SENATE COMMERCE COMMITTEE  
26 March 2003  
Jim Garner, Acting Secretary  
Kansas Department of Human Resources

Chairperson Brownlee and Members of the Committee

Thank you for the opportunity to testify in support of SB 270. This legislation would place a one year moratorium on the "waiting week" in our state's unemployment insurance laws.

Governor Sebelius unveiled this proposal on March 6, 2003, as a way to make sure a portion of the \$78.8 million of Reed Act funds which Kansas received last year actually gets into the hands of unemployed workers in our state, and thus, into the economy. This was part of the Governor's balanced plan for using Reed Act funds. The moratorium on the waiting week addressed the top concern of getting some of the money into the hands of the unemployed in a quick, efficient and smart manner.

In addition, the Governor proposed spending \$1.89 million to assist in the administration of our Unemployment Insurance program. This funding would address a shortfall in federal funding and fill some vacancies in the processing operations of the Unemployment Insurance program, which has seen a significant increase in workload. Also, a portion of these funds will be used to address the back log in appeals.

The Governor proposed leaving the remaining Reed Act funds in the Unemployment Insurance Trust Fund. This would help with the solvency of the trust fund. These Reed Act funds would remain available for future permitted uses.

The uses of Reed Act funds proposed by the Governor were endorsed by the Employment Security Advisory Council.

In my position at KDHR, I am frequently seeing the real impacts of the struggling economy we now face in Kansas. Notices of large lay offs are unfortunately becoming common place. For the week of March 15, 2003, our agency paid out \$9,108,864 in unemployment benefits to 35,532 Kansans. And we hear news of more expected lay offs in the near future.

Currently Kansas law requires the first week of unemployment to serve as a "waiting week" and, as such, the recently unemployed individual is unable to receive monetary benefits for this week.

The "waiting week" is an anachronism from a time before computers. In the past, claims were manually processed and the technology did not exist for speedy processing of

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unemployment claims. Technology has diminished the need for a waiting week. It would be good public policy to eliminate the waiting week.

If we had not had the waiting week last year, \$13.9 million in additional benefits would have been paid out to unemployed individuals. This would be money directly in the hands of the unemployed and into the economy. The "waiting week" affected 51,569 claimants last year.

Thirteen states now do not have a "waiting week". These states are Alabama, Connecticut, Delaware, Georgia, Iowa, Kentucky, Maryland, Michigan, Nevada, New Hampshire, New Jersey, Wisconsin and Vermont. In Missouri, Tennessee and Texas, the waiting week is paid after a few weeks of receiving benefits (3 weeks in Tenn. and Texas and 9 weeks in Missouri).

The moratorium on the waiting week would help every unemployed Kansan during its period of operation. It would get unemployment benefits started sooner for each new claimant. In addition, most people never collect the waiting week benefit. The average claimant receives 15.8 weeks of benefits. The only way an individual collects the waiting week is if they exhaust all their entitlement of benefits – usually 26 weeks.

I would like to share a few comments about SB 269, which would add an additional week of benefits to those who exhaust their benefits. This proposal also has merit. However, it would definitely assist fewer unemployed individuals and would result in less Reed Act funds getting into the hands of the unemployed. It is estimated that at most, this type of proposal would have resulted in \$8.8 million in additional benefits last year if it had been in effect. It is also important to remember that on January 8, 2003, the President signed a Congressional proposal for an additional 13 weeks of benefits for individuals that exhaust their regular 26 weeks of benefits.

I have submitted with my testimony some suggested changes to the bills if the committee acts favorably on either proposal. The change to SB 270 simply reads better and is what our folks need to implement the moratorium on the waiting week. The changes in SB 269 would make it clear that a person must exhaust all federally available benefits before receiving the additional state provided week.

Bottom line, a moratorium on the Waiting Week is the simplest and most effective way to help the greatest number of unemployed Kansans. At the same time it makes a smart, albeit temporary, change to our current system. And it puts \$13.9 million on Main Street in this tough economy.

Madam Chair, thank you again for this opportunity. I would be glad to stand for questions.

## Proposed Law Changes - Waiting Week

### Proposed Modification to K.S.A. 44-705(d)

(d) The claimant has been unemployed for a waiting period of one week or the claimant is unemployed and has satisfied the requirement for a waiting period of one week under the shared work unemployment compensation program as provided in subsection (k)(4) of K.S.A. 44-757 and amendments thereto, which period of one week, in either case occurs within the benefit year which includes the week which the claimant is claiming benefits. No week shall be counted as a week of unemployment for the purposes of this subsection (d):

- (1) If benefits have been paid for such week;
- (2) If the individual fails to meet with the other eligibility requirements of this section; or
- (3) If an individual is seeking unemployment benefits under the unemployment compensation law of any other state or of the United States, except that if the appropriate agency of such state or of the United States finally determines that the claimant is not entitled to unemployment benefits under such other law this subsection (d)(3) shall not apply.

*Provided however, that the waiting week requirements of this subsection (d) shall not apply during the period commencing July 1, 2003 and ending June 30, 2004.*

### Proposed Modification to K.S.A. 44-757(k)(4)

(4) the individual's normal weekly hours of work and wages have been reduced as described in paragraph (3) of this subsection (k) for a waiting period of one week which occurs within the period the shared work plan is in effect, which period includes the week for which the individual is claiming shared work benefits. *Provided however, that the waiting week requirements of K.S.A. 44-705(d) shall not apply during the period commencing July 1, 2003 and ending June 30, 2004.*



## Proposed Law Changes - 27<sup>th</sup> Week

### Proposed Addition to K.S.A. 44-704

*44-704c. Additional benefits. One week of additional benefits will be payable to claimants who exhaust regular benefits and any benefits under any other federal or state extended benefits program during the period July 1, 2003 through June 30, 2004. Provided however, that the benefit eligibility and disqualification provisions of K.S.A. 44-705 and K.S.A. 44-706 would apply to the additional benefits program.*

### Proposed Modification to K.S.A. 44-710(c)(2)(C)

(C) No contributing employer or rated governmental employer's account shall be charged with any extended *or additional* benefits paid in accordance with the employment security law, except for weeks of unemployment beginning after December 31, 1978, all contributing governmental employers and governmental rated employers shall be charged an amount equal to all extended benefits paid.

### Proposed Modification to K.S.A. 44-757(q)

(q) Notwithstanding any other provisions of this section, an individual shall not be eligible to receive shared work benefits for more than 26 calendar weeks during the twelve-month period of the shared work plan, *except that one week of additional benefits will be payable to claimants who exhaust regular benefits and any benefits under any other federal or state extended benefits program during the period July 1, 2003 through June 30, 2004.* No week shall be counted as a week for which an individual is eligible for shared work benefits for the purposes of this section unless the week occurs within the twelve-month period of the shared work plan.

# LEGISLATIVE TESTIMONY



*The Unified Voice of Business*

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SB 269 and SB 270

March 26, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the Senate Committee on Commerce

By:

Terry Leatherman  
Vice President – Legislative Affairs

Senate Commerce Committee  
3-26-03  
Attachment 2

Madam Chairperson and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to explain why the Kansas Chamber is very concerned about legislation which proposes to remove funds from the Kansas Employment Security Trust Fund, the pool of dollars dedicated to pay unemployment benefits to workers who become unemployed through no fault of their own.

## CONDITION OF THE KANSAS EMPLOYMENT SECURITY TRUST FUND

The explosive increase in unemployment has taken its toll on the Trust Fund. The table below shows unemployment benefit payments in recent years as well as the Trust Fund balance.

Year	U.C. Benefits Paid	Year End Trust Fund Balance
1995	\$149.6 million	\$692.4 million
1996	\$148.3 million	\$640.9 million
1997	\$133.7 million	\$596.7 million
1998	\$130.6 million	\$549.1 million
1999	\$157.3 million	\$476.7 million
2000	\$175.7 million	\$488.0 million
2001	\$240.8 million	\$466.0 million
2002	\$359.8 million	\$410.9 million
2003	?	\$342.9 million (as of 3/22)

Today's Trust Fund balance is 17% less than it was four months ago and 27% less than 16 months ago. The next table shows employer tax increases. Even with the hefty hike in employer taxes this year, it is highly likely the

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approximately \$250 million Kansas will collect in employer taxes and interest earnings will be \$50 million less than the benefits that will be paid out this year. It is quite possible the Trust Fund balance will be hovering around \$300 million when the Legislature convenes for the 2004 session.

#### EMPLOYER TAXES FOR UNEMPLOYMENT ON THE RISE

Kansas employers bear the sole taxing burden for unemployment taxes. It is a unique taxing structure based on dollars in the Trust Fund compared to total state payrolls. In brief, when the Trust Fund is low, the process demands employer taxes increase. Conversely, high Trust Fund balances lead to lower employer taxes. The table below should not be a surprise. As the run on unemployment benefits has soared, unemployment taxes paid have increased.

Year	U.C. Taxes Collected	% Increase in Taxes Collected
1999	\$42.5 million	-----
2000	\$143.0 million	336% increase (end of unemployment moratorium)
2001	\$172.9 million	20.9% increase
2002	\$182.4 million	5.4% increase
2003	\$217.7 million	19.4% increase
2004	\$270.3 million (KDHR estimate)	24.2% increase

In extremely challenging economic times, Kansas employers are paying nearly 20% higher unemployment taxes this year and will pay 25% higher taxes next year. This is the burden under today's system, assuring unemployed workers 26 weeks of benefits. The burden increases when additional dollars are spent from the Trust Fund, such as proposed in SB 269 and SB 270. There is no escaping a simple reality that both of these bills are tax increase measures.

#### HOW TO USED "REED ACT" DOLLARS

As mentioned, Kansas employers bear total responsibility for financing the Trust Fund through unemployment taxes. There was a big change to that last year. A one-time federal \$8 billion appropriation that landed in Trust Funds across the country. The Kansas share was \$78 million.

Attached to my testimony is a chart showing how the states are using Reed Act dollars. The report was dated January 29, 2003. At the time of the report, eight states had used a portion of the Reed Act allotment for some form of unemployment benefit increase. Those eight states are summarized below.

- Alabama                      weekly benefit amount increased \$20
- Connecticut                new base period process adopted
- Georgia                      new base period process adopted
- Minnesota                   state extended benefit program
- New Hampshire            increase in the weekly benefit amount
- Oklahoma                   new base period process adopted
- Oregon                        increase in the weekly benefit amount
- Vermont                      temporary increase in the weekly benefit amount

Many states are utilizing some portion of Reed Act money for administrative needs. However, the vast majority of states report the Reed Act allotment remains in their Trust Funds to assure fund solvency, the payment of benefits, and to insulate employers from tax increases.

#### BACKGROUND ON THE UNEMPLOYMENT "WAITING WEEK"

- The original Kansas Employment Security Act of 1937 included a two-week waiting period.
- The one-week unemployment waiting week was first adopted in Kansas in 1941.
- In 1974 and 1975, there was a law change to permit ½ of the waiting week to be paid. In 1976, that law was repealed and there was an increase in the maximum weekly benefit amount in Kansas from 55% of the state average weekly wage to 60%.
- The purpose of the waiting week is to establish separation from the workforce. To qualify for unemployment, a worker must be able and available for work, and actively seeking employment. Establishing these qualifications would be questionable during a first week of unemployment. Further, waiting week elimination does not seem to factor the many workers who receive some amount of severance compensation.
- In some form, 41 states have a waiting week provision in their law

#### KCCI OBJECTION TO THE WAITING WEEK ELIMINATION

- The temporary elimination will not benefit any worker who has lost their jobs during the current economic downturn in Kansas.
- Once implemented, the only unemployed workers who will benefit from the policy will be workers who have become employed. Employees who exhaust the 26 weeks of unemployment benefits permitted in Kansas receive no additional dollars by the plan. As a result, the beneficiaries of the waiting week elimination are workers who return to work before collecting 26 weeks of benefits.
- Exploding unemployment benefit claims have stressed the Kansas Department of Human Resources to process benefits to the point they are pursuing a \$1.9 million appropriation from the Trust Fund. This proposal will further burden the department to deliver unemployment benefits.
- States without a waiting week forfeit the 50% FUTA funding for the first week of this extended benefit.
- The dollars spent on the waiting week elimination will eventually be replenished in the Trust Fund through higher employer taxes, since employer taxes are directly linked to the Trust Fund Balance.

Thank you for the opportunity to comment on the legislation before you this morning. I would be happy to answer any questions.

## General State Responses to Reed Act Distribution Survey In Alphabetical Order

State/Distribution	State Action
Alabama \$110.6 million	Enacted legislation allowing 15% or about \$16.6 million to be used for ES and UI administration and 85% or about \$94 million to be used for increasing benefits and solvency. The 15% will be used for transition from local claims offices to telephone claims call centers. Effective 7/1/02, the weekly benefit amount was increased by \$20.
Alaska \$14.8 million	Unemployment taxes will be cut by an estimated \$6.5 million in 2003. UI employer tax rates will be as much as 10 percent lower in 2003 due to the distribution. Appropriated \$3 million for an Internet based labor exchange system. Next year, state will propose two capital projects: (1) Spend \$405,000 to replace outmoded equipment in 23 ES offices; and (2) Spend \$2 million on redesigning the UI tax system. The new UI tax system is scheduled to be completed by the end of 2003.
Arizona \$144.1 million	Submitted FY04 proposals of \$4.2 million for enhancements of ES staffing and services; \$2.2 million of ES automation; and \$6.9 million for UI administration aimed at improving non-monetary timeliness, quality, and overpayment and fraud detection.
Arkansas \$64 million	All funds used for improving solvency.
California \$936.9 million	About \$896.3 million or 96 percent was used for improved solvency. Of this amount, \$600 million has been appropriated for the payment of unemployment compensation and for ensuring trust fund solvency. Some \$0.5 million was appropriated for Employment Tax Systems Review, and \$40.1 million was substituted for state supplemental funding. The Reed Act distribution was received in March 2002 after the Governor's Budget was presented for consideration by the state legislature in January 2002. This timing did not allow for complete development and review of infrastructure, information technology, and other project proposals. During the upcoming budget cycle, the state anticipates that a number of proposals will be considered that would be funded by Reed Act funds.
Colorado \$142.7 million	All funds remain in the trust fund. As a result, will avoid activating a solvency tax in 2003. Action to spend some Reed Act funds might occur in 2003 legislative session.
Connecticut \$100.4 million	About \$91.4 million or 91 percent used for improving solvency. It is possible 2003 UI taxes will be lower as a result. While not earmarked specifically, about \$9 million will be used to cover the cost of benefits under the new alternate base period from 2003 to 2005. About \$405,000 will be used to cover the start up costs of administering the alternate base

	period. About \$2.1 million will be used to improve UI administration, including program integrity, tax collections, non-monetary quality, and appeals timeliness. About \$4 million will be used to avoid cuts in employment services, saving 45 jobs. About \$1.2 million will be used for employment services technology and infrastructure.
Delaware \$26 million	All funds used for improving solvency. As a result, will avoid activating a higher tax.
District of Columbia \$25.8 million	Alternative base period was enacted. Appropriated \$460,000 to cover implementation costs. Appropriated \$7.6 million to improve UI administration. Will contract for and hire technology staff, develop and implement direct deposit of UI benefits, improve integrity and reduce overpayments, and fund overdue civil service raises. About two-thirds remains in trust fund, but agency plans further proposals to improve ES and UI administration next year.
Florida \$449.7 million	About 96.5% or \$433.9 million used for improving solvency now and to avoid higher taxes. Appropriated \$15.8 million for one-stop career centers. Same amount will be requested again next year.
Georgia \$249.7 million	Retained all of its distribution in its trust fund account, but also enacted an alternate base period.
Kansas \$78.2 million	Anticipates requesting about \$4 million for UI Administration. This would cover increasing staffing, upgrading computers, and enhancing telephone call center technology.
Kentucky \$103.8 million	Reed Act distribution prevented activation of a higher tax rate on employers. Might request some funds for UI and ES administration, but most funds will be used to improve solvency.
Idaho \$32.2 million	About \$25.2 million remains in trust fund. Appropriated a total of \$7 million for ES and UI administration. Appropriated \$1 million for employment services of which \$0.7 million was spent on upgrading customer self-service workstations. Appropriated \$3.5 million for UI administration. Appropriated \$2.5 million to substitute for funds normally used for administration from the administrative tax. Administrative taxes will be allowed to accumulate in reserve for coverage of implementation costs of UI/ES reform when enacted.
Illinois \$376.2 million	All funds used for improving solvency, which will delay borrowing from federal government. Waiting for economic recovery and new Governor before considering proposals.
Indiana	Governor proposed a package in 2002, but it was not enacted. Governor has proposed a package in 2003. The proposal is for \$160 million of

\$174.6 million	which \$50 million is for the "21 <sup>st</sup> Century JOBS" initiative; \$50 million for UI modernization; \$60 million for assistance for UI claimants.
Iowa \$82.4 million	About 62.4 million or 76 percent remained in the trust fund for solvency. Appropriated \$20 million for UI administration. Funds will be spent on telephone call center operations and redesigning tax systems. Much of funds will be spent on information technology and capital equipment, such as computers. Plans to make more proposals to legislature in 2003.
Louisiana \$105.5 million	About 65% or about \$69 million remained in the trust fund for solvency. Appropriated a total of \$36.5 million for ES and UI administration improvements. Projected costs for a UI Tax and Benefit Redesign over 3 to 5 years were \$20.6 million. Investments in infrastructure (such as imaging equipment, computers, and network enhancements) were estimated to cost \$10.0 million. Employment Service improvements (such as expansion of reemployment services, employer forums, and expansion of income growth strategies for single parents) were estimated to cost \$5.7 million.
Maine \$32.5 million	Funds remain in trust fund. State plans to propose spending in 2003.
Maryland \$142.9 million	Funds remain in trust fund. Surcharge of 0.8 percent will not take effect in 2003 as a result. With the avoidance of the 0.8 percent surcharge came a \$30 increase in the maximum weekly benefit amount. In other words, without the Reed Act funds, there would have been no benefit increase.
Massachusetts \$193.6 million	Almost 99% or \$191.2 million remains in the trust fund. Appropriated about \$2.4 million for employment services. Tax schedule already is set by state legislature below what existing law would trigger. Additional Reed Act funds likely will keep taxes lower than they might be otherwise. Will spend \$300,000 on a biannual job vacancy survey; \$925,000 on New Perspectives program to help workers changing careers, \$400,000 on integration of performance management systems in one stop employment system, and \$800,000 on building a data base for the one stop employment system and functionality for workers and employers. Plans no more spending on ES and UI administration.
Michigan \$291.5 million	Appropriated \$213.0 million for the ES program and \$75 million for the UI program. The ES funds were invested on one-stop center operations, facilities, and data system improvements, welfare-to-work job search and readiness activities, an Internet based career search portal, and software and information technology. UI investments were not yet determined.
Minnesota	About 93% or about \$151 million remains in trust fund for improving solvency and lowering taxes. Reed Act funds were cited as a reason why



\$163.1 million	legislature could pass a state extended benefits program. Appropriated \$12 million for UI technology improvements.
Mississippi \$64.7 million	About 75% or \$48 million remains in trust fund for improving solvency and lowering taxes. About \$16 million or 25% was appropriated for the construction of a new state headquarters office building.
Missouri \$161.4 million	All funds used for improving solvency.
Montana \$18.6 million	Funds improved solvency and delayed a tax increase. Plans on retiring \$5.9 million UI debt incurred to modernize its UI program and spending on Employment Services and UI administration over the next 5 or 6 years. Appropriated \$4.1 million to substitute for funds that would have come from an Administrative Fund Tax (AFT). The AFT funds were reallocated to various training programs. Appropriated \$12.6 million for UI administrative improvements. Appropriated about \$280,000 to pay off part of a bond issuance used to finance UI modernization.
Nebraska \$48.4 million	Funds remain in trust fund. Will propose some ES and UI improvements in 2003.
Nevada \$68.1 million	Funds remain in trust fund to improve solvency and avoid a tax increase. Legislature meets only once every two years and did not meet in 2002. Might make a proposal to spend some funds on a building in 2003.
New Hampshire \$38.5 million	Funds left in trust fund to improve solvency. Funds helped avoid a 1.5 percentage point increase in employer tax rate and enabled the legislature to pass a significant increase in weekly benefits.
New Jersey \$242.8 million	About 85% or about \$207 million remains in the trust fund. The UI tax rate dropped as a result of reintroduction of the Health Care tax on employers and equivalent cut in UI taxes. The cut in UI taxes was discretionary. Appropriated about \$36 million for ES and UI administration.
New Mexico \$38.6 million	All funds remain in trust fund. Plans to submit proposal to state legislature. Draft proposal would spend around \$21 million and leave about 45% or about \$17 million of Reed Act funds in trust fund. Spending would be on such items as computer equipment, an imaging system, telecommunications systems to reduce long-distance phone call costs, a fictitious employer detection system, and capital improvements.
New York \$491.3 million	New York was required under the Reed Act to repay a \$188.9 million loan from the federal government. The remainder of its \$491.3 million Reed Act distribution improved its solvency.



North Carolina \$240.9 million	All funds devoted to improving solvency.
North Dakota \$15.3 million	All funds remain in trust fund. Legislature does not meet until 2003. Studying a large technology proposal to modernize UI tax and benefit systems.
Ohio \$343.7 million	About 63% or \$216 million remains in trust fund for improving solvency. Automatic solvency tax increases in 2003 likely were avoided. The state plan called for a total of \$78 million to be used for UI administration over the next 3 years to offset state general revenue and penalty interest funds traditionally used to supplement the operation of the program; Labor market information improvements in the amount of \$3 million; \$10 million for investment in certified one stop centers; \$30 million for a new UI Tax system; and \$6 million for policy and program staff training and equipment.
Oklahoma \$81.4 million	Nearly 98% or about \$79 million retained in trust fund for improving solvency. Availability of Reed Act funds gave impetus to enactment of an alternate base period to improve access to UI for low-wage workers. Appropriated \$1.7 million to make up the federal shortfall in funding and to maintain current employment services. This helped avoid office closings and layoffs of 25 employees. The agency proposed an additional \$1 million to expand employment services, but the legislature did not want to appropriate these funds because it had frozen all other state employment. The agency has proposed \$2 million in each of the next two years to maintain current employment services.
Oregon \$98 million	All funds still in trust fund for improving solvency. No actions taken as yet. Reduced UI taxes and increased weekly benefit amount in last two calendar quarters of 2002 with the understanding that Reed Act funds would prevent an automatic increase in taxes. Some penalty and interest funds were used for the Child Care program, but UI and ES still received \$18.7 million for UI and ES in the 2001-2003 biennium. In fiscal year 2001, state had used \$19.5 million for employment services. State expects more substitution of Reed Act funds for state supplemental funds in next biennium.
Pennsylvania \$337.6 million	All funds still in trust fund to improve solvency. Solvency taxes will increase by less than they would have without the Reed Act distribution. Overall, taxes will rise by \$98 million less than they would have in 2003. Employer taxes will be about \$57 million lower and employee taxes will be about \$41 million lower than they would have been. State plans to propose appropriating amounts equal to the amounts earned in interest on the balance of the distribution. Legislature approved a \$15 million appropriation to be spent only after the interest has been credited to the trust fund. Spending will be on improvements to UI information

	processing and telecommunications, staff and related costs for reemployment services, and enhancements to the ES and Team PA CareerLink system. Reed Act funds will substitute for \$2 million in state supplemental funds previously appropriated for ES. Up to \$5 million in penalty and interest funds will be used to cover federal funding shortfalls for ES and UI administration.
Puerto Rico \$48.9 million	Almost \$42 million remains in trust fund. Will use \$2 million to cover the shortfall in federal funding for UI administration. Will spend \$1.6 million on office equipment and computer hardware and \$3.7 million on information technology and software. Will submit further proposal.
Rhode Island \$27.1 million	About \$24 million remains in trust fund. Appropriated \$1.7 million for Rapid Job Entry Program. About \$0.9 million was substituted for state supplemental funds. Likely to propose improvements to one-stop career center infrastructure.
South Carolina \$108.2 million	Funds used in trust fund to calculate 2003 tax rates. Increase in unemployment taxes will be lower as a result. Appropriated about \$9.8 million to purchase land and construct local office facilities over the next 3-5 years. The cost of these investments will be amortized and used again through a revolving fund. Next year plans to propose: a new benefit payment system; information technology for labor market information reporting; upgrades of systems network and equipment; land purchases of land and construction of additional local office facilities.
South Dakota \$19.1 million	Funds remain in trust fund. State legislature adjourned before distribution was made to trust fund.
Tennessee \$162.6 million	About 96 percent of funds remain in trust fund. Taxes were reduced beginning in the third quarter of 2002. Appropriated \$7 million for UI and ES administration as needed.
Texas \$596.4 million	All funds were used to improve solvency and to avoid borrowing from the federal government to cover the cost of regular state benefits. As a result of the Reed Act distribution, unemployment taxes will be lower in 2003.
Utah \$61.6 million	About \$56 million remains in trust fund. In a special session, state legislature appropriated \$6 million over 3 years for ES staffing. This will fund 32 positions for 3 years. State advisory council has suggested enacting an alternate base period to increase access to UI for low-wage workers. It also suggested using half of the distribution to improve solvency.
Vermont \$16.4 million	Legislature allocated \$7.5 million to prevent an automatic increase in UI taxes. The remaining amount was used to increase temporarily weekly benefits by \$18 per week this year and to increase the maximum benefit by 7 percent.

Virgin Islands \$2 million	Plans to spend all funds over two years on improving ES and UI administration. Committed \$1.1 million to computer software and information technology for the ES program. Will spend about \$400,000 on UI administration, which is about 25% of its federal funding shortfall.
Virginia \$214.9 million	A total of \$184 million remains in the trust fund. These funds potentially averted a 0.2 percentage point fund building increase in UI taxes. Appropriated \$30.9 million for ES and UI administration. Governor unsuccessfully proposed an extension beyond 2002 through July 2003 of the temporary 37.3% increase in benefits that would have cost about \$59.9 million. Appropriated \$6.2 million for the ES and \$24.7 million for UI administration in the 2003/2004 biennium. Used \$2 million from penalty and interest in 2002 to support ES and UI operations, but it is hoped the Reed Act distribution will substitute for these funds so that these funds can be used to build up a maintenance and capital building fund.
Washington \$167 million	All funds remain in the trust fund. State legislature adjourned the day after the Reed Act distribution was deposited in the trust fund. Submitted four proposals for the 2003-2004 biennial budget. All costs will be amortized using portions of federal grants for UI administration. The proposals are: (1) imaging to speed adjudication of claims costing \$1.9 million; (2) software to pass information collected from claimants over the telephone or internet to the benefit system costing \$2.1 million; (3) a program to help low-income adults move up to higher-paying and more stable jobs costing \$6.5 million; and (5) building of a training/meeting room addition to a state-owned facility.
West Virginia \$36.2 million	About \$32.4 million remains in the trust fund. Appropriated about \$3.8 million for ES and UI administration in the 2003-2004 biennial budget. About \$1.4 million will be used to make up for the federal funding shortfall for the ES program. About \$2.4 million was appropriated for UI administration. Funds will also be spent to implement a toll-free number for filing continued claims, to improve the integrated voice response (IVR) system for continued claims, to develop a new automated system for one-stop career centers.
Wisconsin \$166.2 million	All funds remain in trust fund to improve solvency. Watching economy to determine if all funds will be needed to pay benefits.
Wyoming \$12 million	All funds remain in trust fund. Plans to rewrite UI computer system at a cost of \$10.5 million. Also plans to invest \$1.1 million in an Internet application for labor market information and to rewrite the auto dialer system at a cost of \$0.3 million.