

## 1999 ASSEMBLY JOINT RESOLUTION 24

February 25, 1999 – Introduced by Representatives VRAKAS, MUSSER, DUFF, LADWIG, F. LASEE, GOETSCH, JENSEN, OWENS, KEDZIE, SYKORA, STONE, GROTHMAN, SERATTI, PETROWSKI, GUNDERSON and MONTGOMERY, cosponsored by Senators FITZGERALD, HUELSMAN and DARLING. Referred to Committee on Rules.

1     **Relating to:** urging Congress to enact legislation to reform the employment security  
2           system.

3           Whereas, the employment security (ES) system was created to help reduce the  
4     economic hardship of unemployed workers by temporarily providing for the partial  
5     replacement of lost income, promoting reemployment, preventing unemployment  
6     and stabilizing the economy during recessions; and

7           Whereas, the ES system consists of unemployment insurance (UI), labor  
8     exchange services and labor market information services; and

9           Whereas, as now structured, employers must pay 2 separate payroll taxes to  
10    support the ES system, a federal tax under the Federal Unemployment Tax Act  
11    (FUTA) to finance program administrative expenses, and a state UI tax to pay for  
12    actual UI benefits; and

13          Whereas, all state UI and FUTA tax revenue collected through the ES system  
14    is maintained by the federal government, in 53 separate accounts for each state's UI  
15    taxes (federal law defines the District of Columbia, Puerto Rico and the Virgin

1 Islands as “states” for the purposes of UI), and 3 separate federal accounts for the  
2 FUTA tax; and

3 Whereas, FUTA tax moneys are returned to the states in the form of federal  
4 categorical grants for program administration that, in nearly all states, are  
5 significantly less than the amounts collected in FUTA revenue from each state’s  
6 employers; and

7 Whereas, in federal fiscal year 1995, employers in 45 states (including  
8 Wisconsin) and the District of Columbia paid more in FUTA taxes than their states  
9 and the district got back in federal grants; and

10 Whereas, in federal fiscal year 1996, only around 60% of FUTA revenue  
11 received by the federal government was appropriated for state program  
12 administration; and

13 Whereas, for federal fiscal year 1997, Wisconsin paid \$131.9 million in FUTA  
14 taxes and got back only \$66.3 million in federal grants; and

15 Whereas, as a condition of receiving grants for program administration, states  
16 are subject to numerous federal regulations, mandates and directives that impede  
17 efficient program management; and

18 Whereas, the accounts being maintained by the federal government have  
19 accumulated large surpluses that are being used to offset the federal deficit; and

20 Whereas, at the end of federal fiscal year 1996, the 3 federal accounts had  
21 balances totaling \$15.3 billion; and

22 Whereas, congressional appropriations for ES program administration  
23 continue to decline despite these large surpluses in the UI dedicated federal  
24 accounts, and Congress has repeatedly extended a temporary FUTA surtax that has  
25 generated increasingly larger balances in these federal trust funds; and

1           Whereas, a system can be established to support funding levels for states that  
2           currently receive more in federal grants than their employers pay in FUTA taxes;  
3           and

4           Whereas, insufficient administrative funding may cause a decline in  
5           employment services, resulting in a delay in claimants' return to work and,  
6           consequently, a possible rise in state UI taxes; and

7           Whereas, permitting control by the states of the money in their federal accounts  
8           would allow states to receive back the vast majority of the amounts paid by their  
9           employers, and retaining the federal accounts while giving states the control of the  
10          money they contribute to these accounts would allow the accounts to continue to  
11          offset the federal deficit; and

12          Whereas, state responsibility for the administration and funding of the ES  
13          system would cut the paperwork burden on employers by eliminating the need to file  
14          2 separate tax forms, would decrease costs of administration by eliminating the  
15          “middle person” role of the Internal Revenue Service in collection of FUTA taxes,  
16          would drastically decrease federal program regulation and permit states to design  
17          programs tailored to the needs of their individual state work forces and employers,  
18          and would significantly reduce federal bureaucracies; now, therefore, be it

19          ***Resolved by the assembly, the senate concurring, That*** the Wisconsin  
20          legislature hereby respectfully urges the Congress of the United States to let the  
21          FUTA surtax expire, transfer much of the administration and financing of the ES  
22          system to the states while retaining funds in the unified federal budget, and retain  
23          the federal government's role of ensuring nationwide application of a minimum  
24          number of fundamental standards; and, be if further

