"The Voice of Business on Unemployment & Workers' Compensation"

Scott Gibbons,
Chief Evaluation Office, OASP, U.S.
Department of Labor, Room S–2312, 200
Constitution Avenue NW. Washington, DC 20210
RE: Comments on OMB Control Number: 1290 ONEW

Dear Mr. Gibbons,

Please accept the attached comment in response to the Notice of Information Collection; Request for Comment published in the Federal Register on December 11, 2017.

I am Douglas J. Holmes, President of UWC – Strategic Services on Unemployment & Workers' Compensation (UWC). UWC is a national association providing policy and legislative analysis and advocacy support for employers. UWC works in concert with state workforce agencies responsible for administration of unemployment insurance.

Employers are primary stakeholders in the Federal/State Unemployment Insurance system as they are responsible to pay the FUTA tax to provide administrative funding for the system and the SUTA tax to provide funding for state unemployment compensation.

UWC, state business associations, and individual employers are directly impacted by state decisions with respect to the financing of the Federal/State UI system and are engaged with state legislatures and Governors on a regular basis about unemployment trust fund solvency. Any review of state policy addressing alternative strategies when trust fund balances are insufficient must include comment and observations of the employers who typically are paying the taxes to fund the system.

Attached are our comments.

Thanks,

Douglas J. Holmes
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UWC Comments in Response to Analysis of Alternative Strategies for Financing Unemployment Insurance (UI) Benefits When Trust Fund Balances Are Insufficient (OMB Control Number:1290-ONEW)

Thank you for the opportunity to comment on the collection of data to support an analysis of alternative strategies for UI deficit financing. The issue of UI trust fund solvency is one that UWC and the National Foundation for Unemployment Compensation and Workers' Compensation has tracked closely over the decades and through multiple recessionary periods.

State UI Trust Fund Solvency is a State Responsibility

UWC views state UI trust fund solvency as a state responsibility as the state is responsible for setting state unemployment contribution rates and determining benefit eligibility. Each state is unique with respect to many factors, including increases or decreases in employment, industrial mix, climate, and cost of living. The make-up of the population of individuals being paid benefits varies with a host of local factors including the percentage of applicants who are job attached, full time, part-time, temporary, or permanent.

Since the 1930s, state UI tax and benefit provisions have evolved with changes in each state economy, the workforce in the state, the industrial mix, and many other factors. The UI system in each state has changed over time to accommodate these changes and changes in state policy and law. The system is not starting from square one in the design of the UI program and the primary stakeholders in each state have long histories in developing responses to economic downturns (including changes in state UI tax and benefits).

The Title XII Loan and FUTA Offset Credit Reduction System Is Too Limiting in Financing Options

Post World War II the UI system experienced growth in revenue with the growth in employment across the country. The Title XII loan system was used to manage economic downturns with the recognition that the system should be forward funded. Beginning in the late 1970s the country experienced recessions that were deeper than had been experienced in the 1950s and 1960s. Federal advances with no interest to pay for unemployment compensation when state trust funds ran out of money provided a no cost relief option. However, beginning in the 1980s, not only did the states experience greater economic volatility but Title XII advances were no longer interest free.

States faced with higher cost federal financing began to consider alternative financing that was less costly and many have developed solvency plans that include these options on a long term basis.

US DOL should first examine the existing federal law which provides for Title XII loans with interest and FUTA offset credit reductions to identify the limitations of the existing federal loan system. The array of financing tools in the private marketplace may be available to improve the solvency of the federal and state unemployment insurance trust funds.

States have expertise and have effectively used alternative financing

State governments have the expertise needed to finance benefits and repayment of federal loans through bonds and alternative financing. State Treasurers and many state agencies have bond authority with long histories in using alternative financing. The states have the capacity to evaluate state circumstances and elect alternative financing. It is not a federal responsibility to provide oversight of how a state chooses to finance state UI trust fund balances – this is a state responsibility.

States have met their responsibilities in choosing methods to assure that funds are available to pay unemployment compensation and the costs of financing are determined through negotiations in state legislatures, with Governors and with the primary stakeholders in the system.

Based on the most recent UI Quarterly Data Summary, all states have positive balances in their UI trust fund accounts (with the exception of California and the Virgin Islands). California expects to repay Title XII loans to have a positive balance in its trust fund in 2018.

UWC Opposes Federal Requirements for State Unemployment Insurance Trust Funds

Information comparing state best practices is already available and the private financing market and state financing experts are more than capable of crunching numbers and providing options for state decision makers.

Employers, state financial experts and the other stakeholders in the UI system are already well informed about alternative financing options. Given the number of states and variety of alternative financing options already in place, a national standard with respect to alternative financing is likely to raise unnecessary issues and add risk and costs for employers and the system.