

Northern Virginia Workforce Investment Board

2005 General Assembly Legislative Policies

ISSUE: Local Distribution of Excess Federal Unemployment Compensation Funds

- The Federal Wagner-Peyser Act authorizes the unemployment insurance system, representing a Federal-State partnership. The U.S. Department of Labor collects monies in unemployment taxes from each state and these monies are placed into a fund.
- The Reed Act mandates that funds be redistributed to states once the fund total reaches a certain level. In 2002, the Federal Government redistributed excess unemployment compensation funds to states for the first time since 1954. Virginia received an allocation of \$214 million in 2002, with funds administered by the Virginia Employment Commission.
- Funds redistributed to states can be spent on three activities:
 - Employer Trust Fund
 - Employment Services
 - Administration
- The Federal Government is currently examining how the unemployment insurance system will operate, including contribution levels of the Federal Government, state governments and private employers. Further distribution of excess funds to States is likely in the years ahead.
- While the excess Federal funds are important in replenishing the Virginia Unemployment Trust Fund during an economic downturn, additional funding to support local efforts to increase the employability of those individuals who are unemployed and underemployed is also urgently needed.

NVWIB LEGISLATIVE POLICY:

- 1. The NVWIB supports a 2005 budget amendment to mandate that the Virginia Employment Commission distribute a portion of current and future funds received under the Reed Act to local workforce boards to support employment services through the One Stop System.**