

Reed Act Funds

Background

This money is a part of the 2002 Economic Stimulus package, which included extended unemployment benefits, a business depreciation bonus and a tax cut for corporations with overseas operations. The Administration characterized the release of the Reed Act funds as “aid for the jobless” by investing in unemployment benefits and strengthening the administration of the Unemployment and Employment services systems.

- Source of funds – Federal Unemployment Tax Act – FUTA Revenue
- One time money
- No time limitation for the use of the funds
- Can be used for Employment Services, Unemployment Benefits, and Unemployment Administration
- Cannot be used for individual training assistance and economic development purposes.

Reed Act Investments Criteria

- Invest to put unemployed workers back to work
 - Invest to reduce taxes long term
 - Make choices that will have support from both business and labor
 - Avoid investments that increase unemployment taxes
 - Choose investments that will strengthen the Workforce System
- 1) **Establish a Reserve Fund and use the interest to support the rural and satellite offices, eliminating the surcharge after the fund has been built up to \$150,000,000.** The money in the fund would be reserved exclusively for the payment of unemployment benefits. **\$40 million to be deposited into the Unemployment Trust fund to act as an incentive for the establishment of the Reserve Fund.**
 - 2) **Modernize and Automate the Unemployment Tax and Claim System** - The current unemployment tax system is nearly 30 years old and must be replaced. This funding will be used to develop a new automated and fully integrated tax system. Reed Acts funds will be used to cover the costs of design, development, and implementation of the system including hardware and software and to allow funding for upgrading claims and call center technology. – **\$20 million.**
 - 3) **Expanded Job placement Services for Unemployed lowans** – Funding would provide for workforce system enhancements including the administrative and technology costs associated with improved assessment tools and intensive job placement and employment services for unemployment claimants to get them back into the workforce as quickly as possible. – **\$20.7 million.**