

**Federal Funding of  
Employment Security Department Programs**

## **Federal Unemployment Tax Act Unemployment Trust Fund**

The Federal Unemployment Tax is a payroll tax of 0.8% levied on the first \$7,000 of wages of each employee - \$56 per employee per year. These revenues go into the four federal accounts in the Unemployment Trust Fund. The four accounts are:

### **Employment Security Administration Account (ESAA)**

- 90% of FUTA receipts are deposited in the Employment Security Administration Account from which appropriations are made for state and federal administration of unemployment insurance, the employment service, and certain veterans programs.
- Unappropriated funds accumulate in ESAA up to a ceiling of 40% of the appropriation for that year. The amount in excess of the ceiling is transferred to the Extended Unemployment Compensation Account.

### **Extended Unemployment Compensation Account (EUCA)**

- In addition to excess funds from ESAA, 10% of FUTA receipts are designated to pay the federal share of federal-state extended benefits which are available during periods of high unemployment. Funds to pay benefits under the current Emergency Unemployment Compensation Act also come from this account.
- The balance in EUCA is limited to 0.5% of total wages in covered employment in the preceding calendar year. Any funds in excess of this ceiling are transferred to the Federal Unemployment Account.

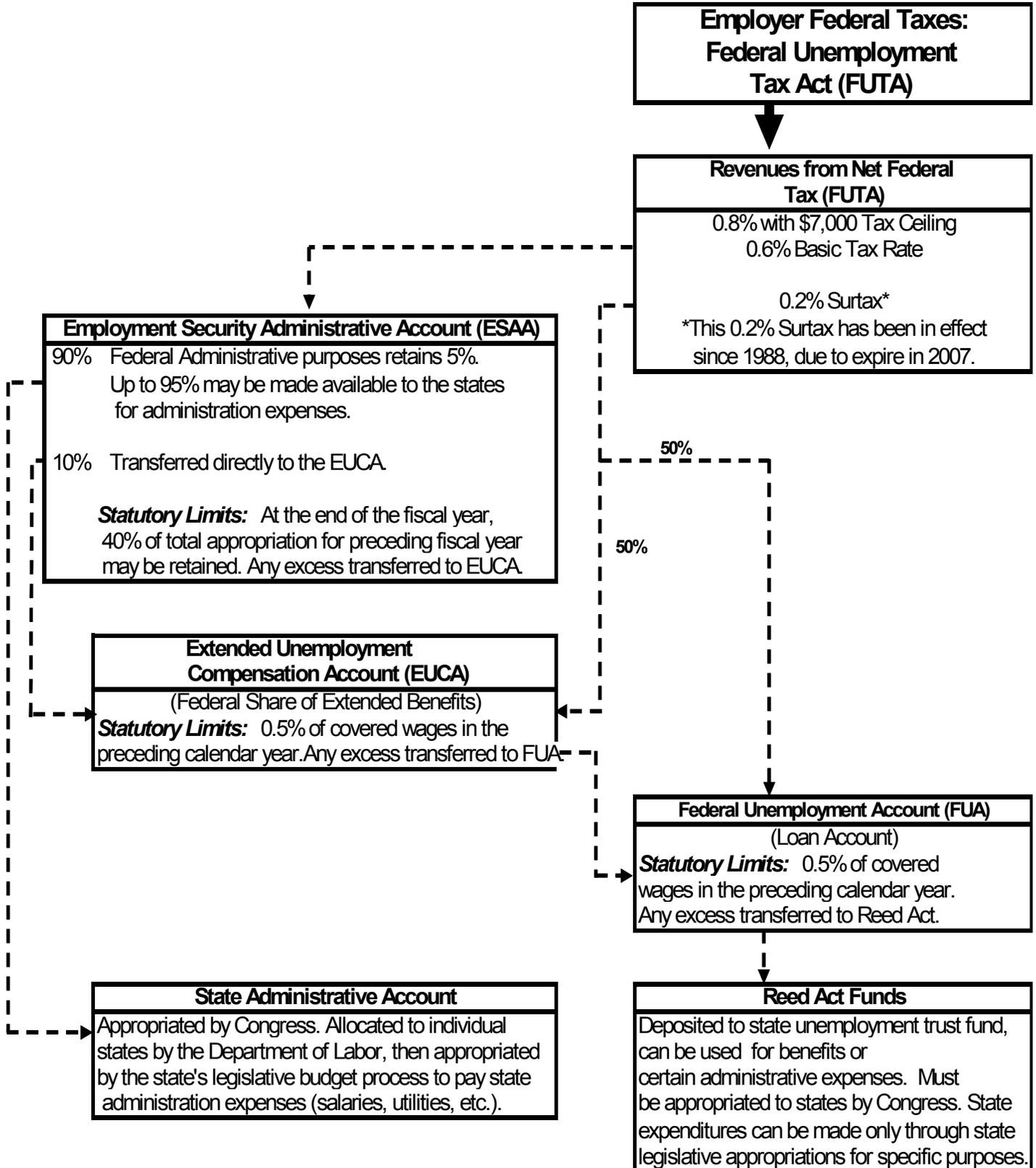
### **Federal Unemployment Account (FUA)**

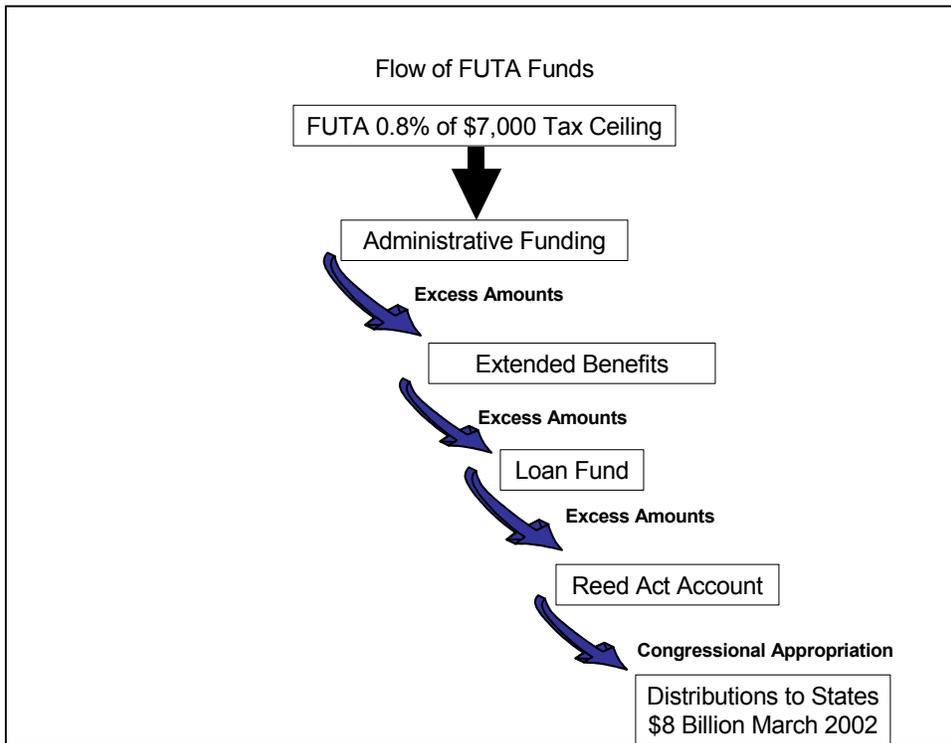
- Any excess funds from EUCA are transferred to the "loan fund" and are used for repayable advances to states with depleted trust fund reserves.
- The balance in FUA is limited to 0.5% of total wages in covered employment for the preceding calendar year. Any funds in excess of this ceiling are transferred to the Reed Act Account.

### **Reed Act Account**

The Reed Act provides for distribution of excess funds to the states from the Federal Unemployment Tax when the Extended Unemployment Compensation Account and the Federal Unemployment Account have reached their statutory maximums. Reed Act funds can be spent for other purposes than payment of benefits upon appropriation by the state legislature.

## Federal Accounts in the Federal Unemployment Trust Fund





- This is the flow of FUTA funds from Employers.
- The amount is collected by the IRS
- Each of the “buckets”, when they reach their statutory levels, flows into the next lower “bucket”.
- The Administrative Account “bucket” pays the states’ costs to run to the program: salaries, lights, automation, etc. Appropriated by Congress but not in sufficient amounts to cover the actual costs.
- The Extended Benefits bucket pays a 50% share of a state’s extended benefit payments—Washington State was in a period of extended benefits from January 2002 through December 2003.
- The loan fund bucket is used by states when their state UI Fund is broke—Currently Minnesota, Missouri, North Carolina, and New York are borrowing. At some point since March 2002, California, Illinois, Massachusetts, Texas also have taken/paid back loans.
- The Reed Act Account is distributed to the states when Congress makes an appropriation, as was done in March 2002. Washington State received \$167 million as their share of that \$8 billion distribution.