

FEDERAL LEGISLATION ON UNEMPLOYMENT INSURANCE RESERVES

There apparently are constitutional objections to directly setting up an unemployment insurance system on a national basis. As I am not a lawyer, I am not qualified to discuss the questions involved, but evidently there can be no compulsory assessments upon the payrolls of employers who are engaged solely in intra-state commerce for a fund to pay unemployment insurance benefits.

Thus the Wagner-Lewis bill attempts by the taxing powers of the Federal Government to make it advantageous for States to enact compulsory unemployment insurance programs, and provides for minimum standards to which the various State plans must conform. However, there is no provision in the bill which specifies how the funds that come under the supervision of State officials or agencies shall be handled. I think some control should be exerted over the funds by the Federal Government and that the ways and means to acquire it should be looked into carefully. Perhaps there would be constitutional problems involved but that is a question for lawyers to pass upon.

Personally I would like to see a provision added to the section of the Wagner-Lewis bill, which deals with the conditions under which credit allowances are granted from the federal excise tax on payrolls, that would contain the following mandates.

The funds collected by the State agency or official in whose care the unemployment reserves are entrusted shall be required to be deposited with an agency of the Federal Government which is designated by the bill. This Federal agency is directed and empowered to employ the deposits thus received in a manner either as determined by provisions in the law (if a particular plan is found to be especially beneficial in its effects) or according to the judgment of the Federal administrative body

(if experimentation is deemed necessary and it is felt to be undesirable to have the operations of the fund hampered by iron-clad provisions of law). If the latter course is chosen I think it would be wise to provide in the law that the funds must be handled in such a manner as to assure the safety and immediate availability of the deposits to the States so that benefit payments can be readily made at any time.

The State agencies shall always be free to draw upon their deposits without notice in order to meet benefit payments. However, the State trustees shall not hold in any manner more than enough cash or other assets than are required to meet the current excess of outward payments as determined by the schedule of contributions and payments contained in the State law.

The deposits held by the Federal agency shall be guaranteed by the Government of the United States and any income accruing by virtue of investment of the funds shall be pro rated among the States according to the amounts deposited by the individual States. However, no income shall be guaranteed or no interest rate specified by the law.

The funds of the various States should be self-supporting and no overdrafts on their deposit accounts with the Federal agency shall be allowed. In other words there should be no pooling of reserves as between States unless an unemployment insurance plan on a nation-wide scale were set up. Moreover, no Federal loans should be granted to finance State unemployment insurance funds which find their reserves depleted. This is desirable in order to require the States to pass adequate unemployment insurance measures.

Of course under the plans now under consideration there would not be available sufficient funds to take care of all benefit payments arising out of unemployment. The necessary additions for relief would have

to come from private charity (the outlook for which is not promising at best) or from governmental revenues. However, these added payments should be on a different basis and handled separately from the unemployment insurance reserves.

The above suggestions are highly tentative and are intended only as a first approach to the problem of the best means to handle reserves. Their object is to provide a centralized control of reserve funds so that they may be handled in a way which is calculated to minimize the harmful effects which may be expected from the independent operations of numerous State unemployment insurance programs throughout the country. How to actually incorporate the suggestions into a bill would require the services of lawyers who are familiar with the drafting of legislation.