

Opening Statement of Chairman Wally Herger
Unemployment Fraud and Abuse Hearing
June 19, 2003

Good afternoon and welcome to today's joint hearing on unemployment fraud and abuse. It is a pleasure to be here with Chairman Houghton and other Oversight Subcommittee Members.

This Congress is very aware of the needs of families with unemployed workers. We created a special Federal program that will provide \$24 billion in temporary extended benefits to 8 million workers through March 2004. We provided \$8 billion more to States to assist the unemployed, which has helped keep payroll taxes down in 30 States.

The President recently signed the Jobs and Growth Tax Bill, which includes another \$20 billion that States can use for struggling families. We have helped millions of workers, while taking steps to strengthen the economy and create more jobs, which is what workers really want.

The issue before us today is a threat to the Nation's unemployment benefits system. At issue is whether some employers wrongly minimize or even avoid paying their proper share of State unemployment taxes. In program jargon, this practice is known as "SUTA dumping," for State Unemployment Tax Acts that should prevent this practice, but apparently don't in many cases.

We will hear about several schemes, which share a common thread. They all seek to thwart a basic purpose of the Nation's unemployment program since the 1930s – that employer taxes should be based on the experience of their employees in collecting unemployment benefits.

In short, if an employer lays off lots of workers, that employer is supposed to pay more taxes to support unemployment benefits than an employer who rarely or never lays off workers. As we will hear today, that longstanding rule is under attack by some employers attempting to dump their costs onto others.

There is no better time to review this issue than now. Now more than ever the Nation's unemployment system needs to be working at maximum efficiency to provide benefits to workers. There are a number of reasons for Federal attention. One key Federal role is to ensure this program is working efficiently and fairly. We also are concerned about the solvency of State trust funds, and the need for Federal loans for some States to pay benefits.

SUTA dumping could quickly undermine program solvency. That could lead to higher payroll taxes for all employers, threatening economic growth and job creation. Our oversight responsibilities merit a close look at this issue and any appropriate responses.

At this hearing today, we'll hear from the U.S. Department of Labor, the General Accounting Office, a State that has recently taken steps to prevent SUTA dumping, and an employer who will tell us of the risks this practice poses for legitimate businesses.

I look forward to all the testimony we will receive.