The Heritage Foundation Backgrounder

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PUTTING AMERICA BACK TO WORK: REFORMING THE EMPLOYMENT SECURITY SYSTEM

INTRODUCTION

Now that Congress has restructured the federal welfare program and substantially turned responsibility for welfare back to the states, the Employment Security (ES) system is next in line for reform. This Depression-era system covers unemployment insurance and job placement and referral services for the unemployed. In April 1997, the House Ways and Means Subcommittee on Human Resources held a hearing on problems with the ES system and proposals to transfer its programs back to the states. Legislation to reform the system probably will be introduced this summer in both the Senate and the House.

For over 60 years, the federal–state ES partnership has served the country fairly well by partially replacing the lost wages of unemployed workers and by providing re-employment services to help them return to work. Over the past 15 years, however, efforts to reduce the federal deficit have undermined the ability of the states to meet the ES's objectives, and flaws in the system's outmoded federal–state method of administration and financing—flaws created at its inception—have been revealed. These deficiencies include unnecessarily high payroll taxes, the buildup of billions of dollars in seldom-used federal trust funds, hundreds of millions of dollars in needless paperwork costs, a lack of flexibility for states to operate efficient programs designed to meet the needs of their own workers and employers, and an erosion of state program integrity that has led to longer spells of unemployment and lower tax collections.

To correct these problems, Congress should:

- Allow the federal unemployment surtax on workers' wages to expire at the end of 1998;
- Transfer the financing and administration of the ES system to the states. Both the taxing and spending authority for the system should be transferred to one

Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

level of government and not split between the federal government and the states;

- Continue limited national standards regarding benefit coverage, conformity standards, and benefits for out-of-state claimants; and
- Eliminate burdensome federal mandates that cause inefficiencies and impose increased costs on the states. States should be empowered to design programs that improve employment services for job seekers and address the unique needs of their own work forces.

Transferring the ES system to the states would yield a number of significant benefits. States could reduce payroll taxes significantly, for example, without having to cut ES agency budgets. Employers would save over $290 million a year in unnecessary paperwork by no longer having to file two separate tax forms (one federal and one state). The efficiency of state ES agencies would be improved significantly by repeal of a federal multi-grant process that has created barriers to the integration of state services. State ES agencies would be able to improve their re-employment services with better job placement assistance and labor market information. Such reforms in the ES system would restore responsibility for employment program priorities to the states, as Congress originally intended, instead of bureaucrats in distant Washington, D.C. Governors and state legislators are in the best position to design ES programs geared to the unique needs of their states and local communities.

Overview of the Employment Security System

The Employment Security system consists of the Employment Service and unemployment insurance programs. The Employment Service was created in 1933 by the Wagner–Peyser Act to make available, free of charge, job search and placement assistance for individuals and recruiting and referral services for employers. Services are available in more than 1,800 state employment service offices. In 1982, Congress amended the Wagner–Peyser Act to devolve most Employment Service administrative responsibility to the states. Financial responsibility (revenue and appropriations) for the Employment Service, however, remains with the federal government. The Social Security Act of 1935 imposed the federal mandate of an unemployment insurance (UI) system on the states.[1] Together, the Federal Unemployment Tax Act (FUTA) and the Social Security Act established the framework for administering and financing the UI system. FUTA generally determines covered employment and imposes certain requirements on state programs, but states generally determine eligibility for UI, weekly benefit amounts, and the duration of benefits.

Financing the ES System

The ES system currently is financed by two separate taxes, with two different tax forms for the two levels of government. These taxes are (1) a FUTA tax on the first $7,000 of each employee's wages and (2) state unemployment insurance taxes that average 0.9 percent of total wages. The current FUTA tax rate is 6.2 percent, which is offset by a credit of 5.4 percentage points for employers in states with programs approved by the federal

1 The Social Security Act created a competitive disadvantage for businesses if their state did not enact unemployment insurance. The tax for employers in states that meet all federal requirements is 0.8 percent; the tax for employers in states that do not meet federal requirements is 6.2 percent.

government; this offset makes the effective FUTA tax rate 0.8 percent. Furthermore, the current FUTA tax rate of 0.8 percent is made up of two components: a permanent tax rate of 0.6 percent and a temporary surtax of 0.2 percent. The surtax, passed in 1976 to restore depleted federal UI trust funds, was supposed to expire in 1987. Since 1987, it has been extended four times—primarily to fund extended benefits programs—and is now supposed to expire in 1998. Revenue raised by the FUTA tax is designated for the administration of UI and the maintenance of a system of ES offices. Portions of FUTA revenues also fund the federal half of the Extended Benefits Program.[2]

The state unemployment insurance tax varies from state to state, is paid by employers on behalf of their employees, and is experience-rated (employers with few layoffs typically have the lowest tax rates). State legislatures determine the tax rate and the taxable wage base. Twelve states limit taxable wages to the federal minimum of $7,000; others have ceilings ranging from $8,000 (eight states) to $25,500 (Hawaii).

State UI tax revenues fund weekly UI benefit payments and the state's half of the Extended Benefits Program. FUTA revenues are deposited in three federal accounts, and state UI tax revenues are deposited in 53 state accounts maintained by the federal government (one for each state, the District of Columbia, Puerto Rico, and the Virgin Islands). It is projected that, at the end of fiscal year 1997, state accounts in the UI Trust Fund will have balances totaling $42.9 billion and the three federal accounts will have balances totaling $18.8 billion.[3]

The UI Trust Fund is like the Social Security Trust Fund in that any positive balance is used to fund other federal programs for as long as the federal budget is running a deficit. General revenues are used to fund federal unemployment benefit programs and allowances, such as Trade Adjustment Assistance and NAFTA Transitional Adjustment Assistance.

PROBLEMS WITH THE CURRENT ES SYSTEM

When Congress created the ES system in the 1930s, it intended that the system would be a federal–state partnership. The federal government would set broad parameters, provide adequate and equitable funding for state administration, and oversee state law and operations to ensure compliance and conformity. Under this bifurcated arrangement, the states would be responsible for carrying out the program while complying with all federal laws and regulations as well as their own state requirements. Over the years, however, several serious problems have developed.

Overtaxation

In FY 1996, only $3.38 billion (or 58 percent of the $5.85 billion in FUTA tax collection) was returned in federal grants to administer state unemployment offices. The rest was spent on U.S. Department of Labor (DOL) bureaucracy, Internal Revenue Service (IRS) tax collection, and labor market information programs, or deposited in two seldom-used federal accounts to pay for extended unemployment benefits and make loans to state unemployment benefit trust funds. In FY 1995, for example, employers in Tennessee paid

2 Half the revenue to pay for extended benefits comes from FUTA; the other half comes from state benefit taxes. The extended benefits program provides for an additional 13 weeks after a recipient has exhausted regular UI benefits, but is available only if a state's unemployment rate rises significantly.

3 U.S. Department of Labor, *UI Outlook*, February 1997.

$120.8 million in FUTA taxes, but the state received only $43.6 million in FUTA grants to administer its ES program, a loss of $77.2 million. Employers in Florida paid $309.9 million in FUTA taxes, but the state received only $113.8 million back from the federal government, a loss of $196.1 million. In 1995, 19 states received less than half the FUTA tax revenues they sent to Washington, D.C. All told, the federal government collected $5.85 billion in FUTA taxes in FY 1996 and, after skimming money off the top for bureaucracy, demonstration projects, and federal trust funds, returned an average of 56 percent to the states.

Unnecessary Paperwork

Employers now have to fill out both a federal and a state unemployment tax return—the federal return for the administrative tax and the state return for the benefits tax. This compliance costs employers an extra $291 million in expenses associated with double filing, even though all taxes could be paid on a single state return. It also costs employers $70 million per year for the IRS to process all the FUTA forms.[4]

Inefficient Service Delivery

When the federal government raises tax money from the states and transmutes them into "federal funds," rules, restrictions, and requirements suddenly appear to hinder efficient service delivery. The federal government frequently has upset the balance between administrative funding and workloads by using the state conformity process to dictate that the states absorb the costs of administering additional programs.[5] Most recently, the DOL has proposed broadening the eligibility of unemployment insurance—a responsibility Congress originally intended to be left to the states.[6] Moreover, the state conformity process has resulted in a one-size-fits-all approach that does not address the unique needs of each state and does not provide the necessary flexibility for states to address the individual needs of their unemployed workers.

Unused Funds

Years of overtaxation have caused an immense amount of money—$18.8 billion—to accumulate in the government's trust funds.[7] Even though FUTA revenues collected for ES administration have been more than sufficient, Congress continues to extend the 0.2 percent FUTA surtax on jobs and to limit ES administration appropriations. This masks the true size of the federal deficit. Moreover, federal budget constraints have had a detrimental effect on the services provided to unemployed workers by the state ES system, and this has led in turn to longer periods of unemployment for workers and unnecessarily high payroll taxes, contrary to the primary purpose of the ES system.[8]

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4 The IRS receives $70 million per year of the FUTA taxes to process the forms.

5 Edwin M. Kehl, "Administrative Simplification of Unemployment Compensation Programs," in W. Lee Hansen and James F. Byers, eds., *Unemployment Insurance: The Second Half-Century* (Madison, Wisc.: University of Wisconsin Press, 1990).

6 Glenn Burkins, "U.S. Is Pressing States to Expand Jobless Benefits," *The Wall Street Journal*, May 13, 1997, p. A24.

7 The balance in the Employment Security Administration Account will be $2.7 billion in September 1997. This is $1.3 billion more than the statutory limit. In addition, a $6.7 billion balance in the Federal Unemployment Account has been built up using surplus FUTA payroll taxes. In FY 1997, Congress will withhold over $1.3 billion in FUTA revenues.

8 Joseph Weisenburger, Deputy Commissioner, New Hampshire Employment Security, testimony before the Subcommittee on Human Resources, Committee on Ways and Means, U.S. House of Representatives, 105th Cong., 1st Sess., April 24, 1997.

Benefits of Transferring the ES System to the States

The benefits of transferring the Employment Security system to the states fall into four principal categories:

- Lower payroll taxes;
- Better services for job seekers;
- Less paperwork; and
- Improved integrity of state programs.

First, states could reduce payroll taxes significantly without having to cut ES agency budgets. The temporary 0.2 percent FUTA surtax is scheduled to expire at the end of 1998, after which time $1.4 billion will remain with workers and employers each year instead of accumulating in seldom-used federal trust funds.[9] In FY 1995, employers in 27 states paid far more in FUTA taxes than their states received (less than 60 percent of the FUTA taxes) in federal grants to run their ES agencies (see Table 1). These 27 states could reduce payroll taxes an additional $1.0 billion without cutting back on their employment services.[10]

Second, transferring the ES system back to the states would improve the employment services provided to unemployed job seekers. Governors and state legislators are in the best position to design programs that meet the unique needs of their states and local communities. Reforming the ES system would restore responsibility for program priorities to the states, as Congress originally intended, instead of bureaucrats in distant Washington, D.C. Eliminating the federal multi-grant process also would remove barriers to the integration of state services, encourage states to cross-train ES agency employees, and improve significantly the delivery of employment services. For example, state ES staff hired to help veterans are prohibited by law from helping non-veterans. If a local office is crowded with non-veterans, these staff members may not help, even if there are no veterans to serve.[11] Moreover, because state ES agencies receive several categorical grants, a state employee cannot handle someone's unemployment claim *and* help that person find a job without obeying time-consuming cost allocation rules. As a result, ES agency employees in many states are not cross-trained. Removing the barriers to integration of ES services would make state agencies significantly more cost-effective and improve the services provided to the public.

Third, employers would save over $290 million a year in unnecessary paperwork costs by no longer having to file two separate tax forms (one federal and one state) for essentially one system of benefits. Transferring the administrative taxing authority for the ES system to the states would allow employers to file only one form. It also would save taxpayers the $70 million per year that it now costs the IRS to process the federal forms, in addition to enabling the states to retain the $50 million per year in penalty and interest

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9 A provision in the House budget resolution includes $624 million in unemployment trust fund savings over five years, to be realized by increasing the Federal Unemployment Account ceiling and allowing additional taxes to accumulate.

10 The sum of the amounts lost to the 27 states that received less than 60 percent of their FUTA taxes in Table 1 is $1.8 billion. Adjusting this sum for the expiration of the 0.2 percent FUTA surtax yields $1.0 billion.

11 In practice, local ES office managers may use veterans' representatives to help non-veterans; but in those instances, the federal government recaptures the grant funds and reallocates them to other states. This reallocation discourages states from moving employment specialists around.

Chart 1

FUTA Grants And Taxes: In FY 1995, a Majority of States Got Back Less than 60% of Their Contributions

Millions of Dollars	FUTA Grants	FUTA Taxes	Amount Returned To State	Percent Returned To State
Alaska	$29.1	$9.3	$19.8	312.9%
Virgin Islands	$3.2	$1.7	$1.5	188.2%
Wyoming	$13.1	$9.3	$3.8	140.9%
North Dakota	$14.0	$11.8	$2.2	118.6%
Montana	$14.1	$12.6	$1.5	111.9%
Rhode Island	$20.3	$19.2	$1.1	105.7%
Idaho	$20.5	$22.9	-$2.4	89.5%
Dist. of Columbia	$15.4	$17.7	-$2.3	87.0%
Connecticut	$63.7	$74.2	-$10.5	85.8%
Vermont	$10.5	$12.3	-$1.8	85.4%
Maine	$20.6	$24.2	-$3.6	85.1%
South Dakota	$10.9	$13.7	-$2.8	79.6%
Puerto Rico	$27.7	$35.1	-$7.4	78.9%
Washington	$89.4	$115.1	-$25.7	77.7%
California	$500.6	$654.8	-$154.2	76.5%
Utah	$30.3	$42.3	-$12.0	71.6%
New Mexico	$19.2	$27.3	-$8.1	70.3%
Hawaii	$17.8	$25.6	-$7.8	69.5%
New York	$241.2	$346.9	-$105.7	69.5%
Oregon	$47.8	$70.0	-$22.2	68.3%
New Jersey	$113.0	$169.5	-$56.5	66.7%
West Virginia	$20.3	$30.5	-$10.2	66.6%
Maryland	$67.6	$101.7	-$34.1	66.5%
Pennsylvania	$166.9	$256.3	-$89.4	65.1%
Massachusetts	$84.3	$139.1	-$54.8	60.6%
Michigan	$127.0	$210.5	-$83.5	60.3%
Nevada	$25.3	$42.7	-$17.4	59.3%
Delaware	$10.7	$18.2	-$7.5	58.8%
Arkansas	$27.2	$49.8	-$22.6	54.6%
Illinois	$151.5	$278.9	-$127.4	54.3%
New Hampshire	$14.1	$26.6	-$12.5	53.0%
Nebraska	$18.7	$36.2	-$17.5	51.7%
Oklahoma	$30.9	$59.9	-$29.0	51.6%
Wisconsin	$63.2	$125.0	-$61.8	50.6%
Mississippi	$25.8	$52.0	-$26.2	49.6%
Minnesota	$51.8	$108.3	-$56.5	47.8%
Alabama	$41.5	$86.9	-$45.4	47.8%
Missouri	$57.9	$121.9	-$64.0	47.5%
Colorado	$43.1	$91.6	-$48.5	47.1%
Iowa	$29.0	$62.6	-$33.6	46.3%
Louisiana	$37.3	$80.7	-$43.4	46.2%
South Carolina	$36.8	$80.1	-$43.3	45.9%
Kansas	$25.2	$57.1	-$31.9	44.1%
Kentucky	$33.3	$77.7	-$44.4	42.9%
Arizona	$39.1	$92.6	-$53.5	42.2%
Texas	$167.3	$400.0	-$232.7	41.8%
Ohio	$101.6	$259.4	-$157.8	39.2%
Virginia	$57.9	$148.7	-$90.8	38.9%
Georgia	$66.3	$170.5	-$104.2	38.9%
Indiana	$50.0	$135.1	-$85.1	37.0%
Florida	$113.8	$309.9	-$196.1	36.7%
North Carolina	$63.8	$174.3	-$110.5	36.6%
Tennessee	$43.6	$120.8	-$77.2	36.1%

Source: U.S. Department of Labor

payments related to delinquent FUTA tax reporting that now goes to the IRS. Finally, transferring the taxing and spending authority to the states would reverse years of deliberate federal underfunding of the ES system, a situation that has reduced the financial integrity of the program.[12]

Returning ES financing authority to the states would enable governors and state legislators to determine for themselves the appropriate levels of spending needed to minimize fraud, ensure benefit payment accuracy, upgrade computer systems, collect underreported taxes, and reduce the duration of unemployment (and therefore UI benefit taxes). Removing restrictive federal administrative mandates and restrictions on administrative funds also would enable states to correct their deteriorating physical and electronic ES infrastructures.

KEY PRINCIPLES FOR REFORM

As the 105th Congress begins its debate over the ES system, it should bear in mind three important principles to ensure that both workers and employers receive the greatest benefit from any reform:

1. **Consolidate taxing and spending authority for the ES system at one level of government instead of splitting it between the federal government and the states.** Effective program accountability requires that the states are responsible for both raising and spending the revenue needed to run the ES system. Maintaining bifurcated taxing and spending authorities diminishes direct accountability.

2. **Ensure the maintenance and integrity of a national ES system** by continuing the FUTA offset credit for states that provide public employment services in which all individuals can file UI claims and receive job placement assistance. National standards regarding benefit coverage, FUTA conformity standards, and benefits for out-of-state claimants should continue.

3. **Minimize federal control and maximize state flexibility.** Burdensome federal mandates that cause inefficiencies and impose increased costs on states should be eliminated. States should be empowered to design programs that improve employment services for job seekers and employers, and they should be given the flexibility to address the needs of their own workers, which, in many cases, will tend inevitably to vary from state to state.

These principles form the foundation of sensible ES reform that will improve services while reducing administrative payroll taxes. To implement these principles, Congress should:

- **Allow the temporary 0.2 percent FUTA surtax to expire at the end of 1998.** By removing an unnecessarily high payroll surtax that limits both job opportunities and workers' take-home pay, this reform would return $1.4 billion each year to workers and employers. Since 1987, the surtax has been extended four times. It is set to expire in 1998. President Clinton, however, has proposed extending the surcharge through 2007.

12 The buildup of money in the federal trust funds is deliberate because Washington, D.C., must appropriate FUTA funds to the states each year, and any balance that remains masks the true size of the deficit.

- **Transfer ES financing and administration to the states.** This step should include increasing the FUTA offset from the current 90 percent to 100 percent for those states that conform with a minimum of federal requirements. States should be allowed to collect one UI tax for administration and benefits. This would consolidate the taxing and spending authority for the ES system within one level of government. Each state would be responsible—and accountable—to its workers and employers for its UI payroll tax dollars and for the administration and effectiveness of its ES system. The combined state benefit and administrative tax would remain dedicated to funding only activities covered by the ES system. This also would save employers over $290 million per year in paperwork costs associated with filing the FUTA tax returns, in addition to the $70 million per year it costs the IRS to process all of the FUTA forms.

- **Phase out the federal Employment Security Administration Account (ESAA).** Existing funds in this account could be used for transition purposes. Congress should set aside a portion of the old federal ESAA to "hold harmless" for five years the states that receive more in federal grants than their employers pay in FUTA taxes; it then should transfer the remaining ESAA balance to 53 new state administrative accounts in proportion to their share of covered employment. States would be required to deposit the revenue raised for ES administration into their federally managed administrative accounts. State legislatures would appropriate funds for their ES systems from their new administrative accounts and would continue to pay for their UI benefit expenses from their benefits accounts. They would be permitted to make withdrawals, however, only to pay for benefits and for administration of the UI law.

- **Amend FUTA to direct states to provide re-employment services designated by their own legislatures and repeal the Wagner–Peyser Act.** States should ensure reasonable access to re-employment services so that workers also could file claims for UI benefits. National standards regarding benefit coverage, FUTA conformity standards, and benefits for out-of-state claimants should continue. Each state, however, should have the flexibility to deliver job placement assistance in ways that meet the needs of its employers and job seekers. Reforms must enable states to explore ways to integrate employment services and reduce the duration of unemployment payments by moving the unemployed into new jobs more quickly. This could include opening up the job placement assistance offered through state ES offices to private competition, as well as other UI innovations.

- **Transfer the federal–state extended benefits program to the states and discontinue the Extended Unemployment Compensation Account (EUCA).** FUTA should be amended to enable states, at their option, to provide their own extended benefits programs determined by their own triggers.[13] States should have the responsibility both to establish extended benefits programs that best meet the needs of their workers and to determine the duration of those benefits. Currently, for example, federal extended benefits programs trigger

13 The federal–state extended benefits programs trigger if a state's 13-week average insured unemployment rate (IUR) is at least 5.0 percent and at least 120 percent of the average of its 13-week IUR in the past two years, or (at the state's option) if its current 13-week IUR is at least 6.0 percent. There are no local triggers for extended benefits.

requirements that are so problematic that few states qualified for activation of the program during the last recession. It is unlikely a federal trigger formula can be developed that will meet the unique needs of all 50 states. State control over the extended benefits program would enable each state to develop its own substate conditions for triggering extended benefits in particularly hard-hit communities, such as those devastated by natural disasters. Funds in the EUCA should be transferred to state UI accounts based on each state's relative share of covered employment.

- **Discontinue the Federal Unemployment Account (FUA) and distribute the balance to state benefits accounts in proportion to each state's share of covered employment.** Provisions should be made for interest-bearing loans from federal general revenues to state trust funds with the same repayment provisions that currently exist. States, at their option, should be able to borrow from other sources as well. Funds in the FUA come from a portion of the FUTA payroll tax on jobs.[14] When the FUA is not being used for state loans, the surplus that builds up in the account is used essentially to fund other government programs and amounts to a tax on jobs to reduce the deficit. At the end of September 1996, there was a $6.2 billion surplus in the FUA. In recent years, states have borrowed from other sources to obtain lower interest rates and avoid losing the FUTA offset credit. Provisions should be made, however, for interest-bearing loans from federal general revenues if they are needed quickly.

- **Amend FUTA to require that states provide preferences to veterans who seek unemployment insurance benefits and re-employment services consistent with Title 38 of the U.S. Code; repeal the Disabled Veterans' Outreach Program and Local Veterans' Employment Representative program.** The administrative efficiency of ES offices could be improved significantly by the removal of barriers to the integration of veterans' services with other employment services. As the National Performance Review (NPR) noted in calling for the removal of these barriers,[15] the DOL's Veterans' Employment and Training Service provides for the services of state-employed, federally funded veterans' employment specialists in local state employment service offices. By law, these staff members are prohibited from helping non-veterans. According to the NPR, "if a local office is crowded with non-veterans, these specialists cannot help out—even if they have no veterans to serve." Employment Service staff would be used more efficiently, and the public would be served more effectively, if this requirement were eliminated.

- **Eliminate restrictions on previously distributed Reed Act funds and allow states to retain administrative funds used for real estate as well as equity.** Current rules are so restrictive that they act against the efficient operation of state ES systems. The states are in the best position to determine the most effective use of capital equipment and local facilities to serve the needs of their own workers and employers.

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14 FUTA funds are deposited indirectly into the FUA when the EUCA and ESAA have reached their statutory limits.

15 U.S. Department of Labor, *From Red Tape to Results, Creating a Government That Works Better and Costs Less*, Accompanying Report of the National Performance Review from the Office of the Vice President, September 1993, p. 80.

- **Permit states to continue carrying out certain national activities, with the costs reimbursed from general federal revenues.** Under current law, the federal government contracts with the states to carry out certain federal ES programs. These include federal unemployment insurance claims; Bureau of Labor Statistics cooperative data gathering programs; the compilation of ES data (initial claims, continued claims, covered employment); and Alien Labor Certification. States would share in the cost of contracts for some activities maintained by a consortium of states, including interstate and combined wage claim coordination, and America's Job Bank. Any remaining DOL and Department of the Treasury oversight would be funded from general revenues.

CONCLUSION

For six decades, the Employment Security system has served the United States fairly well. Over the past 15 years, however, the federal government has reduced the ability of states to meet Employment Security's objectives, revealing flaws in the bifurcated method of administration and financing built into the system. These include unnecessarily high payroll taxes, the buildup of billions of dollars in federal trust funds that mask the true size of the deficit, hundreds of millions of dollars in needless paperwork costs, a lack of state flexibility to operate efficient programs, and the erosion of state program integrity.

To correct these problems, Congress should transfer the financing and administration of the ES system to the states, allow the federal unemployment surtax to expire at the end of 1998, and maximize state flexibility—which would improve employment services for job seekers and employers and address the unique needs of each state's workers. Transferring the ES system to the states would yield lower payroll taxes, more efficient ES agencies in each state, improved job placement assistance and labor market information, and less burdensome paperwork requirements. Perhaps most important, it also would take the responsibility for program priorities away from bureaucrats in distant Washington, D.C., and restore it—as Congress originally intended—to the country's governors and state legislatures.

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