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Reed Act Study

November 30, 2004

The purpose of the study is to provide an overview of past Reed Act distributions and identify how states chose to approach the current Reed Act distribution. Because the \$8 billion Reed Act distribution was enacted in an economic stimulus package, policy makers expected it to stimulate the economy. It could accomplish this through cuts in state unemployment taxes or increases in state spending on benefits, UI administration, and employment services. This study finds the \$8 billion Reed Act distribution stimulated the economy primarily through about \$4 billion in lower unemployment taxes in 2003 and 2004, but also led to some stimulating increases in spending on unemployment benefits, UI administration and employment services, which could continue for some years.

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