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| TRAINING AND EMPLOYMENT NOTICE | NO. 5-06 |
| | DATE August 11, 2006 |

TO: ALL STATE WORKFORCE AGENCIES
ALL STATE WORKFORCE LIAISONS
ALL STATE ONE-STOP CENTER SYSTEM LEADS

FROM: 
MARIA K. FLYNN
Administrator
Office of Policy Development and Research

SUBJECT: Announcement of a National State Unemployment Tax Act (SUTA) Study

1. **Purpose.** The Employment and Training Administration (ETA) is pleased to announce commencement of a SUTA study to examine state implementation of section 303(k) of the Social Security Act (SSA) in selected states. ETA has contracted with Coffey Communications, LLC (Coffey) of Bethesda, Maryland to conduct the study. The study will examine the status and effectiveness of state actions to meet the requirements of the law and operating guidance, and discuss whether the Secretary of Labor should recommend additional Congressional action to improve the effectiveness of section 303(k) of the SSA.

2. **References.** P.L. 108-295: SUTA Dumping Prevention Act of 2004; UIPL No. 30-04: SUTA Dumping - Amendments to Federal Law Affecting the Federal-State Unemployment Compensation Program; UIPL No. 30-04 Change 1: SUTA Dumping - Amendments to Federal Law Affecting the Federal-State Unemployment Compensation Program - Additional Guidance

3. **Research Goals.** The goals of the study are to: (a) identify state legislation intended to mitigate the practice of SUTA dumping; (b) measure the use and effectiveness of state penalties intended to curb SUTA dumping; and (c) analyze state law transfer of experience provisions regarding the entry of a client into a Professional Employer Organization (PEO) relationship and the financial impact of such treatment both on state trust funds and on the PEO industry. The results of this study will be used to generate recommendations by the Secretary

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WASHINGTON, D.C. 20210**

to improve the effectiveness of section 303(k) of the SSA.

4. **Research Tasks.** The research tasks associated with the study are: (a) overall project design that will meet the needs of ETA; (b) evaluation of the states' implementation of the changes to their unemployment insurance (UI) laws which prohibit SUTA dumping; (c) survey of each state's key agency leadership regarding perceived effectiveness of section 303(k) of the SSA in curbing SUTA dumping, and to solicit state input into possible future proposals; (d) in-depth case study analysis in selected states of implementation and activities under their SUTA dumping statute; (e) examination of the relationship of PEOs to state experience rating requirements in a limited number of states; and (f) using the data provided by states, assess and analyze the accuracy of state implementation of its laws in identifying the transfer or acquisition of a business for purposes of detecting SUTA dumping.

5. **Request for State Participation.** Coffey, in consultation with ETA and state workforce agencies, will select 7 states to conduct in-depth case study analysis in selected states of implementation and activities under their SUTA dumping statute, and examine the relationship of PEOs to state experience rating requirements in a limited number of states. Also, Coffey will conduct interviews with and collect necessary data from selected states UI officials in accordance with state and federal confidentiality requirements.

6. **Research Time Frame.** The period of performance for this study will be for one year beginning in June 2006. The final report is scheduled to be submitted to Congress by the Secretary in July 2007.

7. **Action Requested.** States are requested to: (a) review and convey the information contained in this issuance to state UI components and other state and local workforce partners, as appropriate; (b) participate in the SUTA Study when contacted by Coffey; and (c) cooperate with Coffey in coordinating state data collection and survey activities for this research.

8. **Inquiries.** States with questions or seeking to obtain more information about this study may contact Kevin M. Culp, Federal Project Officer, in the Office of Policy

Development and Research, Employment and Training
Administration, at (202) 693-3679, or culp.kevin@dol.gov.

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