

105TH CONGRESS  
2D SESSION

# H. R. 3684

To amend the Internal Revenue Code of 1986, the Social Security Act, the Wagner-Peyser Act, and the Federal-State Extended Unemployment Compensation Act of 1970 to improve the method by which Federal unemployment taxes are collected; to improve the method by which funds are provided from Federal unemployment tax revenue for employment security administration, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 1998

Mr. SHAW (for himself, Mr. COLLINS, Mr. SUNUNU, and Mr. PORTMAN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To amend the Internal Revenue Code of 1986, the Social Security Act, the Wagner-Peyser Act, and the Federal-State Extended Unemployment Compensation Act of 1970 to improve the method by which Federal unemployment taxes are collected; to improve the method by which funds are provided from Federal unemployment tax revenue for employment security administration, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Employment Security Financing Act of 1998”.

4 (b) TABLE OF CONTENTS.—The table of contents for  
5 this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO THE INTERNAL REVENUE CODE OF  
1986

- Sec. 101. Repeal of surtax.
- Sec. 102. Conforming amendments to section 3304(a).
- Sec. 103. Additional requirements for approval of State laws.
- Sec. 104. Conforming amendments to section 3304(c).
- Sec. 105. State unemployment fund defined.
- Sec. 106. Definition of State ESAA.
- Sec. 107. Collection of FUTA tax by State agencies.
- Sec. 108. Payment of FUTA tax to State agencies.
- Sec. 109. Repealer.

TITLE II—UNEMPLOYMENT TRUST FUND ACCOUNTS

- Sec. 201. Establishment of unemployment accounts.
- Sec. 202. Repeal of subsections (a) and (b) of section 901 of the Social Security Act.
- Sec. 203. Expenditures for administration.
- Sec. 204. Transfer of amounts attributable to reduced credits.
- Sec. 205. Establishment of revolving fund.
- Sec. 206. Treatment of excess ESAA amounts.
- Sec. 207. Treatment of excess FUA amounts.
- Sec. 208. Repeal of reporting requirement.
- Sec. 209. Termination of Extended Unemployment Compensation Account.
- Sec. 210. Treatment of amounts elected by ineligible States.
- Sec. 211. Use of Reed Act funds.
- Sec. 212. Provisions relating to establishment of Unemployment Trust Fund.
- Sec. 213. Separate book accounts.
- Sec. 214. Payments to State agencies and Railroad Retirement Board.
- Sec. 215. Repeal of EUCA account and transfers.
- Sec. 216. Repeal of interfund borrowing authority.

TITLE III—GRANTS TO STATES FOR EMPLOYMENT SECURITY  
ADMINISTRATION

- Sec. 301. Repeal of sections 301 and 302 of the Social Security Act.
- Sec. 302. State requirements.
- Sec. 303. Interpretation of methods of administration requirement.

TITLE IV—EXTENDED UNEMPLOYMENT COMPENSATION ACT OF  
1998

- Sec. 401. Extended Unemployment Compensation Act of 1998.

## TITLE V—FEDERAL EMPLOYMENT SECURITY SERVICE

- Sec. 501. Amendment to statement of purposes.
- Sec. 502. Purpose of Employment Security Service.
- Sec. 503. Transfer of real property.
- Sec. 504. Repeal of Federal appropriations authority.
- Sec. 505. Use of public employment service funds.
- Sec. 506. Repeal of Federal use of funds requirements.
- Sec. 507. Repeal of Federal planning and fiscal requirements.

TITLE VI—ADVANCES TO STATE UNEMPLOYMENT  
COMPENSATION BENEFIT ACCOUNTS

- Sec. 601. Transfers from the Federal Unemployment Account.
- Sec. 602. Use of transferred funds.
- Sec. 603. Determination of interest rate.
- Sec. 604. Revolving loan fund.

## TITLE VII—CONFORMING AMENDMENTS

- Sec. 701. Conforming amendment to definitional provision.
- Sec. 702. Balanced budget amendments.
- Sec. 703. Repeal of Federal unemployment tax amendment.

1 **TITLE I—AMENDMENTS TO THE**  
 2 **INTERNAL REVENUE CODE**  
 3 **OF 1986**

4 **SEC. 101. REPEAL OF SURTAX.**

5 Section 3301 of the Internal Revenue Code of 1986  
 6 is amended to read as follows:

7 **“SEC. 3301. RATE OF TAX.**

8 “There is hereby imposed on every employer (as de-  
 9 fined in section 3306(a)) for each calendar year an excise  
 10 tax, with respect to having individuals in his employ, equal  
 11 to—

12 “(1) 6.2 percent in the case of calendar years  
 13 1988 through 2003; or

14 “(2) 6.0 percent in the case of calendar year  
 15 2004 and each calendar year thereafter;

1 of the total wages (as defined in section 3306(b)) paid  
2 by him during the calendar year with respect to employ-  
3 ment (as defined in section 3306(c)). Effective for cal-  
4 endar year 2000 and each calendar year thereafter, the  
5 tax, including accounts receivable from prior years, shall  
6 be collected by the State agencies responsible for adminis-  
7 tration of the State unemployment compensation law as  
8 agents for the Secretary of the Treasury. Amounts col-  
9 lected for years prior to calendar year 2003 by each State  
10 agency responsible for administration of the State unem-  
11 ployment compensation law shall be immediately deposited  
12 in the Employment Security Administration Account es-  
13 tablished pursuant to section 904 of the Social Security  
14 Act. Amounts collected for calendar year 2003 and years  
15 thereafter shall be immediately deposited in the State's  
16 Employment Security Administration Account established  
17 pursuant to section 904 of the Social Security Act.  
18 Amounts collected after January 1, 2000, by the Internal  
19 Revenue Service shall be immediately deposited in the Em-  
20 ployment Security Transition Account within the Unem-  
21 ployment Trust Fund established pursuant to section 904  
22 of the Social Security Act.”

1 **SEC. 102. CONFORMING AMENDMENTS TO SECTION 3304(a).**

2 (a) LIMITATION ON USE OF FUNDS.—Paragraph (4)  
3 of section 3304(a) of the Internal Revenue Code of 1986  
4 is amended to read as follows:

5 “(4) all money withdrawn from the unemploy-  
6 ment compensation benefit account of the unemploy-  
7 ment fund of the State shall be used solely in the  
8 payment of unemployment compensation, exclusive  
9 of expenses of administration, and for refunds of  
10 sums erroneously paid into such fund and refunds  
11 paid in accordance with the provisions of section  
12 3305(b); except that—

13 “(A) an amount equal to the amount of  
14 employee payments into the unemployment fund  
15 of a State may be used in the payment of cash  
16 benefits to individuals with respect to their dis-  
17 ability, exclusive of expenses of administration;

18 “(B) the amounts specified by section  
19 903(c)(2) of the Social Security Act may, sub-  
20 ject to the conditions prescribed in such section,  
21 be used for expenses incurred by the State for  
22 administration of its unemployment compensa-  
23 tion law and public employment offices;

24 “(C) nothing in this paragraph shall be  
25 construed to prohibit deducting an amount  
26 from unemployment compensation otherwise

1 payable to an individual and using the amount  
2 so deducted to apply for health insurance, or  
3 the withholding of Federal, State, or local indi-  
4 vidual income tax, if the individual elected to  
5 have such deduction made and such deduction  
6 was made under a program approved by the  
7 Secretary of Labor;

8 “(D) amounts may be deducted from un-  
9 employment benefits and used to repay overpay-  
10 ments as provided in section 303(g) of the So-  
11 cial Security Act;

12 “(E) amounts may be withdrawn for the  
13 payment of short-time compensation under a  
14 plan approved by the Secretary of Labor;

15 “(F) amounts may be withdrawn for the  
16 payment of allowances under a self-employment  
17 assistance program (as defined in section  
18 3306(t));”.

19 (b) EXTENDED COMPENSATION.—Paragraph (11) of  
20 section 3304(a) of the Internal Revenue Code of 1986 is  
21 amended to read as follows:

22 “(11) extended compensation shall be payable  
23 as provided by State law conforming to the Ex-  
24 tended Unemployment Compensation Act of 1998;”.

1 (c) EFFECTIVE DATE.—This section shall become ef-  
2 fective on November 1, 1999.

3 **SEC. 103. ADDITIONAL REQUIREMENTS FOR APPROVAL OF**  
4 **STATE LAWS.**

5 (a) IN GENERAL.—Section 3304(a) of the Internal  
6 Revenue Code of 1986 is amended by striking “and” at  
7 the end of paragraph (18), by striking the period at the  
8 end of paragraph (19) and inserting a semicolon, and by  
9 adding after paragraph (19) the following new para-  
10 graphs:

11 “(20) funds provided to such State under title  
12 IX of the Social Security Act for public employment  
13 services shall be used—

14 “(A) for determining whether individuals  
15 claiming unemployment compensation under  
16 State laws conforming to section 3304 are  
17 available to accept suitable work and have not  
18 refused suitable work as prescribed by the State  
19 unemployment compensation law;

20 “(B) for job search and placement services  
21 to individuals claiming unemployment com-  
22 pensation benefits and other job seekers includ-  
23 ing counseling, testing, occupational and labor  
24 market information, assessment, and referral to  
25 employers; and

1           “(C) for appropriate recruitment services  
2           and special technical services for employers;

3           “(21) the State agency responsible for adminis-  
4           tration of the State unemployment compensation law  
5           shall submit annual reports to the governor of the  
6           State providing information on services and out-  
7           comes. Such reports shall include information with  
8           respect to—

9           “(A) the proportion of the individuals  
10          claiming compensation provided employment  
11          services in accord with titles III and IX of the  
12          Social Security Act;

13          “(B) the proportion of employers provided  
14          employment services in accord with titles III  
15          and IX of the Social Security Act;

16          “(C) information regarding referrals and  
17          placements provided in accord with titles III  
18          and IX of the Social Security Act; and

19          “(D) information on other services such as  
20          counseling and testing provided in accord with  
21          titles III and IX of the Social Security Act; and

22          “(22) the State agency responsible for adminis-  
23          tration of the State unemployment compensation law  
24          shall, effective for calendar year 2000 and each cal-  
25          endar year thereafter, collect the Federal unemploy-

1       ment tax imposed pursuant to section 3301 as the  
2       agent of the Secretary of the Treasury.”

3       (b) EFFECTIVE DATE.—This section shall take effect  
4       January 1, 2000.

5       **SEC. 104. CONFORMING AMENDMENTS TO SECTION 3304(c).**

6       Subsection (c) of section 3304 of the Internal Reve-  
7       nue Code of 1986 is amended as follows:

8       “(c) CERTIFICATION.—On October 31 of each tax-  
9       able year, the Secretary of Labor shall certify to the Sec-  
10      retary of the Treasury each State whose law he has pre-  
11      viously approved, except that he shall not certify any State  
12      which, after reasonable notice and opportunity for hearing  
13      to the State agency, the Secretary of Labor finds has  
14      amended its law so that it no longer contains the provi-  
15      sions specified in subsection (a) or has with respect to the  
16      12-month period ending on such October 31 failed to com-  
17      ply substantially with any such provision in such sub-  
18      section. No finding of a failure to comply substantially  
19      with any provision in paragraph (5) of subsection (a) shall  
20      be based on an application or interpretation of State law—

21               “(1) until all administrative review provided for  
22               under the laws of the State has been exhausted,

23               “(2) with respect to which the time for judicial  
24               review provided by the laws of the State has not ex-  
25               pired, or

1           “(3) with respect to which any judicial review  
2           is pending.

3   On October 31 of any taxable year, the Secretary of Labor  
4   shall not certify any State which, after reasonable notice  
5   and opportunity for hearing to the State agency, the Sec-  
6   retary of Labor finds has failed to amend its law so that  
7   it contains each of the provisions required by law to be  
8   included therein (including provisions relating to the Ex-  
9   tended Unemployment Compensation Act of 1998, as re-  
10   quired under subsection (a)(11)), or has, with respect to  
11   the twelve-month period ending on such October 31, failed  
12   to comply substantially with any such provision.”

13   **SEC. 105. STATE UNEMPLOYMENT FUND DEFINED.**

14           Subsection (f) of section 3306 of the Internal Reve-  
15   nue Code of 1986 is amended, effective October 1, 1999,  
16   to read as follows:

17           “(f) For purposes of this chapter, the term ‘unem-  
18   ployment fund’ means a special fund, established under  
19   a State law and administered by a State agency, for the  
20   payment of compensation. Any sums standing to the un-  
21   employment benefit accounts of the State agency in the  
22   Unemployment Trust Fund established by section 904 of  
23   the Social Security Act shall be deemed to be a part of  
24   the unemployment fund of the State, and no sums paid  
25   out of the Unemployment Trust Fund to such State agen-

1 cy shall cease to be a part of the unemployment fund of  
2 the State until expended by such State agency. An unem-  
3 ployment fund shall be deemed to be maintained during  
4 a taxable year only if throughout such year, or such por-  
5 tion of the year as the unemployment fund was in exist-  
6 ence, no part of the moneys of such fund was expended  
7 for any purpose other than the payment of compensation  
8 and for refunds of sums erroneously paid into such fund  
9 and refunds paid in accordance with the provisions of sec-  
10 tion 3305(b); except that—

11           “(1) an amount equal to the amount of em-  
12           ployee payments into the unemployment compensa-  
13           tion benefit account within the fund of a State may  
14           be used in the payment of cash benefits drawn from  
15           the unemployment compensation benefit account of  
16           the State within the unemployment trust fund to in-  
17           dividuals with respect to their disability, exclusive of  
18           expenses of administration;

19           “(2) the amounts specified by section 903(e)(2)  
20           of the Social Security Act may, subject to the condi-  
21           tions prescribed in such section, be used for ex-  
22           penses incurred by the State for administration of  
23           its unemployment compensation law, and public em-  
24           ployment services;

1           “(3) nothing in this subsection shall be con-  
2           strued to prohibit deducting any amount from unem-  
3           ployment compensation otherwise payable to an indi-  
4           vidual and using the amount so deducted to pay for  
5           health insurance, or the withholding of Federal,  
6           State, or local individual income tax, if the individ-  
7           ual elected to have such deduction made and such  
8           deduction was made under a program approved by  
9           the Secretary of Labor;

10           “(4) amounts may be deducted from unemploy-  
11           ment benefits drawn from the State’s unemployment  
12           compensation benefit account within the unemploy-  
13           ment trust fund and used to repay overpayments as  
14           provided in section 303(g) of the Social Security  
15           Act;

16           “(5) amounts may be withdrawn from the  
17           State’s unemployment compensation benefit account  
18           within the unemployment trust fund for the payment  
19           of short-time compensation under a plan approved  
20           by the Secretary of Labor; and

21           “(6) amounts may be withdrawn from the  
22           State’s unemployment compensation benefit account  
23           within the unemployment trust fund for the payment  
24           of allowances under a self-employment assistance  
25           program (as defined in subsection (t)).”

1 **SEC. 106. DEFINITION OF STATE ESAA.**

2 Section 3306 of the Internal Revenue Code of 1986  
3 is amended, effective October 1, 1999, by adding at the  
4 end the following new subsection:

5 “(u) STATE EMPLOYMENT SECURITY ADMINISTRA-  
6 TION ACCOUNT.—For purposes of this chapter, the term  
7 ‘State Employment Security Administration Account’  
8 means a special account within the Unemployment Trust  
9 Fund established pursuant to section 904 of the Social  
10 Security Act for the purpose of providing administrative  
11 funds to pay the cost of services performed by the State  
12 agency in accord with section 3304 of this subtitle and  
13 titles III and IX of the Social Security Act. No sums paid  
14 out of the account to the State agency shall cease to be  
15 a part of the Unemployment Trust Fund until expended  
16 by such State agency.”

17 **SEC. 107. COLLECTION OF FUTA TAX BY STATE AGENCIES.**

18 Subsection (a) of section 3501 of the Internal Reve-  
19 nue Code of 1986 is amended, effective October 1, 1999,  
20 to read as follows:

21 “(a) GENERAL RULE.—(1) The taxes imposed by this  
22 subtitle shall be collected by the Secretary and shall be  
23 paid into the Treasury of the United States as internal-  
24 revenue collections, except that effective for calendar year  
25 2000 and calendar years thereafter the tax imposed by  
26 section 3301 shall be collected by the State agencies re-

1 sponsible for administration of the State unemployment  
2 law as agents for the Secretary. Amounts collected by each  
3 State agency shall be paid into the treasury to the credit  
4 of the State employment security administration account  
5 of the State as prescribed in section 3301 of this Act and  
6 titles III and IX of the Social Security Act. Amounts col-  
7 lected by the Internal Revenue Service after January 1,  
8 2000, with respect to the tax imposed by section 3301  
9 shall be paid into the Treasury to the credit of the employ-  
10 ment security transition account within the unemployment  
11 trust fund established pursuant to section 904 of the So-  
12 cial Security Act.

13 “(2) The Secretary is authorized to enter into agree-  
14 ments with the State agencies administering State unem-  
15 ployment compensation laws to assist with the administra-  
16 tion of the Federal Unemployment Tax Act (26 U.S.C.  
17 3301 et seq.).”

18 **SEC. 108. PAYMENT OF FUTA TAX TO STATE AGENCIES.**

19 The last sentence of section 6157(a) of the Internal  
20 Revenue Code of 1986 is amended, effective October 1,  
21 1999, to read as follows:

22 “The tax for any calendar quarter or other period shall  
23 be computed as provided in subsection (b) and the tax as  
24 so computed shall, except as otherwise provided in sub-  
25 section (c), be paid, effective for calendar year 2000 and

1 calendar years thereafter, to the State agency responsible  
 2 for administration of the State unemployment compensa-  
 3 tion law as the agent of the Secretary. Such taxes shall  
 4 be paid quarterly.”

5 **SEC. 109. REPEALER.**

6 Paragraph (2) of section 6201(b) of the Internal Rev-  
 7 enue Code of 1986 is repealed.

8 **TITLE II—UNEMPLOYMENT**  
 9 **TRUST FUND ACCOUNTS**

10 **SEC. 201. ESTABLISHMENT OF UNEMPLOYMENT ACCOUNTS.**

11 (a) IN GENERAL.—Title IX of the Social Security Act  
 12 is amended by adding at the end the following new section:

13 “STATE EMPLOYMENT SECURITY ADMINISTRATION  
 14 ACCOUNTS

15 “SEC. 911. There are hereby established in the Un-  
 16 employment Trust Fund, the following accounts:

17 “(1) A State Employment Security Administra-  
 18 tion Account for each State.

19 “(A) There is hereby appropriated to the  
 20 unemployment trust fund for credit to the em-  
 21 ployment security administration account for  
 22 each State—

23 “(i) for the fiscal year ending Septem-  
 24 ber 30, 2004, and for each fiscal year  
 25 thereafter, an amount equal to one hun-  
 26 dred percent of the Federal unemployment

1 tax, including interest, penalties and addi-  
2 tions to the tax, received from collection of  
3 the tax and covered into the State's ac-  
4 count; and

5 “(ii) any amounts transferred to the  
6 account pursuant to this section and sec-  
7 tions 902 and 903.

8 “(B) Two percent of the amount collected  
9 and deposited into each State employment secu-  
10 rity administration account pursuant to sub-  
11 section (a)(1)(A)(i) shall be transferred by the  
12 Treasury of the United States beginning the  
13 end of the month following January 1, 2003,  
14 and each month thereafter to the supplemental  
15 employment security administration account es-  
16 tablished pursuant to this section and section  
17 904.

18 “(C) Two percent of the amount collected  
19 and deposited into each State employment secu-  
20 rity administration account pursuant to sub-  
21 section (a)(1)(A)(i) shall be transferred by the  
22 treasury beginning the end of the month follow-  
23 ing January 1, 2003, and each month there-  
24 after to the Secretary of Labor employment se-

1 security administration account established pur-  
2 suant to this section and section 904.

3 “(2)(A) A Supplemental Employment Security  
4 Administration Account for the administration of  
5 employment security programs in accord with titles  
6 III and IX of this Act and section 3304 of the Inter-  
7 nal Revenue Code of 1986 by States whose average  
8 civilian labor force populations number less than  
9 1,000,000.

10 “(B) There is hereby appropriated to the unem-  
11 ployment trust fund for credit to the supplemental  
12 employment security administration account, for the  
13 fiscal year ending September 30, 2004, and for each  
14 fiscal year thereafter—

15 “(i) an amount equal to 100 percent of the  
16 amount transferred pursuant to subsection  
17 (a)(1)(B); and

18 “(ii) amounts transferred to the account  
19 pursuant to section 901(f)(3)(C) and (D) and  
20 sections 902 and 903.

21 “(3)(A) The Secretary of Labor Employment  
22 Security Administration Account for the Secretary  
23 of Labor in carrying out administrative duties as  
24 prescribed in titles III and IX of this Act, and chap-  
25 ter 23 of the Internal Revenue Code of 1986.

1           “(B) There is hereby appropriated to the Un-  
2           employment Trust Fund for credit to the Secretary  
3           of Labor Employment Security Administration Ac-  
4           count, for the fiscal year ending September 30,  
5           2004, and for each fiscal year thereafter an amount  
6           equal to 100 percent of the amount transferred pur-  
7           suant to subsection (a)(1)(C).

8           “USE OF SPECIAL ADMINISTRATIVE FUNDS

9           “SEC. 912. There are hereby authorized to be made  
10          available for expenditure out of the employment security  
11          administration accounts maintained by the Treasury for  
12          each State for fiscal years 2000 through 2003 such  
13          amounts, not to exceed \$245,000,000 for each year, as  
14          are requested by the States from their respective State  
15          employment security administration accounts, subject to  
16          appropriation by the legislative body of each State to be  
17          used for—

18                 “(1) determining whether individuals claiming  
19          unemployment compensation under State laws con-  
20          forming to section 3304 are available to accept suit-  
21          able work and have not refused suitable work as pre-  
22          scribed by the State unemployment law;

23                 “(2) job search and placement services to indi-  
24          viduals claiming unemployment compensation bene-  
25          fits and other job seekers including counseling, test-



1                   “Administrative Expenditures

2           “(c)(1) There are hereby authorized to be made avail-  
3 able for expenditure out of the employment security ad-  
4 ministration accounts maintained by the treasury for the  
5 States, effective for the Federal fiscal year beginning Oc-  
6 tober 1, 2003, and each fiscal year thereafter, such  
7 amounts as are requested by the States from their respec-  
8 tive State employment security administration accounts,  
9 subject to appropriation by the legislative body of each  
10 State (not in excess of one hundred forty percent of the  
11 amount appropriated to the State agency from Federal  
12 employment security funds for the 12-month period end-  
13 ing September 30 of the previous year), for the purpose  
14 of—

15                   “(A) assisting the State in the administration  
16 of its unemployment compensation laws as provided  
17 in title III of the Social Security Act (including ad-  
18 ministration pursuant to agreements under any Fed-  
19 eral unemployment compensation law),

20                   “(B) providing public employment services in  
21 accordance with section 7 of the Wagner-Peyser Act,

22                   “(C) carrying into effect section 4103 of title  
23 38, United States Code,

1           “(D) collection of amounts due under the provi-  
2           sions of the Federal Unemployment Tax Act (26  
3           U.S.C. 3301 et seq.), and

4           “(E) administration of statistical programs es-  
5           sential for development of estimates of the gross do-  
6           mestic product and other national statistical series,  
7           including those related to employment and unem-  
8           ployment.

9           Amounts requested by the State but not appropriated by  
10          the State legislative body for the fiscal year for which such  
11          amounts are requested shall be transferred to the State’s  
12          unemployment compensation benefit account as of the be-  
13          ginning of the following Federal fiscal year.

14          “(2) There are hereby authorized to be made avail-  
15          able for expenditure by States whose average civilian labor  
16          force populations number less than one million, amounts  
17          out of the supplemental employment security administra-  
18          tion account, \$5,000,000 for each of fiscal years 2000  
19          through 2003—

20                 “(A) for determining whether individuals claim-  
21                 ing unemployment compensation under State laws  
22                 conforming to section 3304 of the Internal Revenue  
23                 Code of 1986 (26 U.S.C. 3304) are available to ac-  
24                 cept suitable work and have not refused suitable

1 work as prescribed by the State unemployment com-  
2 pensation law;

3 “(B) for job search and placement services to  
4 individuals claiming unemployment compensation  
5 benefits and other job seekers including counseling,  
6 testing, occupational and labor market information,  
7 assessment, and referral to employers; and

8 “(C) for appropriate recruitment services and  
9 special technical services for employers.

10 Such amounts shall be available for State appropriation  
11 in addition to amounts otherwise appropriated by Con-  
12 gress.

13 “(3) There are hereby authorized to be made avail-  
14 able for expenditure by States whose average civilian labor  
15 force populations number less than one million, amounts  
16 out of the supplemental employment security administra-  
17 tion account for the fiscal year ending September 30,  
18 2004, and for each year thereafter. Such amounts shall  
19 be allocated to the States by the Council of States with  
20 Lesser Populations, subject to appropriation by the legis-  
21 lative body of each State for the purpose of—

22 “(A) administration of the State’s unemploy-  
23 ment compensation laws;

24 “(B) providing public employment services in  
25 accord with section 7 of the Wagner-Peyser Act;

1           “(C) administration of section 4103 of title 38,  
2           United States Code;

3           “(D) collection of amounts due under the Fed-  
4           eral Unemployment Tax Act (26 U.S.C. 3301 et  
5           seq.); and

6           “(E) administration of statistical programs es-  
7           sential for development of estimates of the gross do-  
8           mestic product and other national statistical series,  
9           including those related to employment and unem-  
10          ployment.

11          “(4)(A) The Council of States with Lesser Popu-  
12          lations is hereby established for the purpose of determin-  
13          ing the methodology by which amounts available from the  
14          Supplemental Employment Security Administration Ac-  
15          count are to be allocated. The council shall be composed  
16          of one representative appointed by the governor of each  
17          State with an average civilian labor force which numbers  
18          less than one million for the calendar year ending prior  
19          to the Federal fiscal year for which allocations are to be  
20          made. The council shall be reconstituted each year prior  
21          to the beginning of the ensuing Federal fiscal year.

22          “(B) The council shall determine amounts to be allo-  
23          cated to the States, except that no State’s allocation for  
24          any fiscal year, when added to the amount available pursu-  
25          ant to section 901(b)(1) of this title, shall be less than

1 the amount appropriated to such State from the employ-  
2 ment security administration account for fiscal year 1995.

3 “(C) The council shall notify the Secretary of the  
4 Treasury prior to each fiscal year of the amounts to be  
5 allocated to each State. If the council fails to determine  
6 amounts to be allocated for a fiscal year, such amounts  
7 shall be carried over and maintained in the Supplemental  
8 Employment Security Administration Account and may be  
9 allocated by the council for following Federal fiscal years.

10 “(D) Amounts allocated by the council, but not ap-  
11 propriated by the State legislative body for the fiscal year  
12 for which allocation was made, shall be transferred to the  
13 State Employment Security Administration Accounts of  
14 all States as of the beginning of the following Federal fis-  
15 cal year. Each State’s share of the funds to be transferred  
16 shall bear the same ratio to the total amount to be so  
17 transferred as the amount of wages subject to tax under  
18 section 3301 of the Internal Revenue Code of 1986 during  
19 the preceding calendar year which are determined by the  
20 Secretary of Labor to be attributable to the State, bears  
21 to the total amount of wages subject to such tax during  
22 such year.

23 “(5)(A) There are hereby authorized to be made  
24 available for expenditure out of the Secretary of Labor  
25 Employment Security Administration Account for the fis-

1 cal year ending September 30, 2004, and for each fiscal  
2 year thereafter such amounts (not in excess of one hun-  
3 dred forty percent of the amount appropriated by Con-  
4 gress for the Department of Labor from the Employment  
5 Security Administration Account for the prior year) as  
6 Congress may deem appropriate for the necessary ex-  
7 penses of the Department of Labor for the performance  
8 of its functions under—

9           “(i) this title and titles III and XII of the So-  
10       cial Security Act,

11           “(ii) the Federal Unemployment Tax Act (26  
12       U.S.C. 3301 et seq.),

13           “(iii) chapter 41 (except section 4103) of title  
14       38, United States Code,

15           “(iv) Federal unemployment compensation laws  
16       effective as of October 1, 1998,

17           “(v) administration of statistical programs es-  
18       sential for development of estimates of the gross do-  
19       mestic product and other national statistical series,  
20       including those related to employment and unem-  
21       ployment,

22           “(vi) establishment and maintenance of the em-  
23       ployment security system in accordance with the  
24       Wagner-Peyser Act, and

1           “(vii) payments of the Federal share of annual  
2           amortization costs of the unfunded liability for the  
3           State employment security agencies with independ-  
4           ent retirement plans as determined by the Secretary  
5           of Labor.

6           “(B) Amounts appropriated under this paragraph, if  
7           not obligated within the fiscal year for which appropriation  
8           was made, shall be transferred to the State employment  
9           security administration accounts. Each State’s share shall  
10          be determined as provided for distribution of funds from  
11          the employment security transition account pursuant to  
12          subsection (e)(3)(D).

13          “(C) The term ‘necessary expenses’, as used in this  
14          paragraph, shall include the expense of reimbursing a  
15          State for salaries and other expenses of employees of such  
16          State temporarily assigned or detailed to duty with the  
17          Department of Labor and of paying such employees for  
18          travel expenses, transportation of household goods, and  
19          per diem in lieu of subsistence while away from their regu-  
20          lar duty stations in the State, at rates authorized by law  
21          for civilian employees of the Federal Government.

22          “(6) The Secretary of the Treasury is directed, for  
23          the fiscal year ending September 30, 2004, and each fiscal  
24          year thereafter, to pay from the Secretary of Labor Em-  
25          ployment Security Administration Account into the treas-



1           “(A) to the Federal Unemployment Account, an  
2 amount equal to the amount by which—

3           “(i) 100 percent of the additional tax re-  
4 ceived under the Federal Unemployment Tax  
5 Act (26 U.S.C. 3301 et seq.) with respect to  
6 the State by reason of the reduced credits pro-  
7 visions of section 3302(c)(3) of such Act (26  
8 U.S.C. 3302(c)(3)) and covered into the treas-  
9 ury for the repayment of advances made to the  
10 State under section 1321 of this title, exceeds

11           “(ii) the amount transferred to the account  
12 of such State pursuant to subparagraph (B) of  
13 this paragraph. Any amount transferred pursu-  
14 ant to this subparagraph shall be credited  
15 against, and shall operate to reduce, that bal-  
16 ance of advances, made under section 1321 of  
17 this title to the State, with respect to which em-  
18 ployers paid such additional tax; and

19           “(B) to the unemployment compensation benefit  
20 account (in the unemployment trust fund) of the  
21 State with respect to which employers paid such ad-  
22 ditional tax, an amount equal to the amount by  
23 which such additional tax received and covered into  
24 the treasury exceeds that balance of advances, made

1 under section 1321 of this title to the State, with re-  
2 spect to which employers paid such additional tax.

3 “(2) Transfers under this subsection shall be as of  
4 the beginning of the month succeeding the month in which  
5 the moneys were credited to the employment security ad-  
6 ministration account of the State.”

7 **SEC. 205. ESTABLISHMENT OF REVOLVING FUND.**

8 Subsection (e) of section 901 of the Social Security  
9 Act is amended, effective October 1, 1999, to read as fol-  
10 lows:

11 “Revolving Fund

12 “(e)(1) There is hereby established in the treasury  
13 a revolving fund within the Federal Unemployment Ac-  
14 count established pursuant to section 904 of the Social  
15 Security Act which shall be available to make the advances  
16 authorized by this subsection. There are hereby authorized  
17 to be appropriated, without fiscal year limitation, to such  
18 revolving fund such amounts as may be necessary for the  
19 purposes of this section.

20 “(2) The Secretary of the Treasury is directed to ad-  
21 vance at the request of a State from the revolving fund  
22 to the State Employment Security Administration Account  
23 maintained for the State such amounts as may be re-  
24 quested for the purposes set forth in titles III and IX of

1 the Social Security Act and section 3304 of the Internal  
2 Revenue Code of 1986.

3       “(3) Advances to the State Employment Security Ad-  
4 ministration Account of a State made under this sub-  
5 section shall bear interest until repaid at a rate equal to  
6 the average rate of interest (computed as of the end of  
7 the calendar month next preceding the date of such ad-  
8 vance) borne by all interest-bearing obligations of the  
9 United States then forming a part of the public debt; ex-  
10 cept that where such average rate is not a multiple of one-  
11 eighth of 1 percent, the rate of interest shall be the mul-  
12 tiple of one-eighth of 1 percent next lower than such aver-  
13 age rate.

14       “(4) Advances to the State Employment Security Ad-  
15 ministration Account of a State made under this sub-  
16 section, plus interest accrued thereon, shall be repaid by  
17 the State, and may be repaid at the request of a State  
18 by the transfer, from the State Employment Security Ad-  
19 ministration Account of such State to the revolving fund.  
20 Any amount transferred as a repayment under this para-  
21 graph shall be credited against, and shall operate to re-  
22 duce, any balance of advances (plus accrued interest) re-  
23 payable under this subsection.”

1 **SEC. 206. TREATMENT OF EXCESS ESAA AMOUNTS.**

2 Section 901 of the Social Security Act is amended  
3 by adding at the end the following new subsection:

4 “Treatment of Excess ESAA Amounts

5 “(f)(1) The Secretary of the Treasury shall determine  
6 as of the close of the fiscal year ending September 30,  
7 2001, and each fiscal year thereafter, the excess and the  
8 net balance of amounts in the State Employment Security  
9 Administration Account maintained for each State.

10 “(2) The excess in the State Employment Security  
11 Administration Account for each State as of the close of  
12 any fiscal year is the amount by which the net balance  
13 in such account as of such time (after the application of  
14 sections 902 and 903 of this title and paragraph (3)(B)  
15 of this subsection) exceeds the net balance in the State  
16 Employment Security Administration Account for such  
17 State as of the close of the previous fiscal year.

18 “(3)(A) The excess in the State Employment Security  
19 Administration Account of each State determined as pro-  
20 vided in paragraph (2) as of the close of any fiscal year  
21 ending after September 30, 2005, not to exceed one hun-  
22 dred forty percent of the net balance at the close of the  
23 previous fiscal year, shall be retained (as of the beginning  
24 of the succeeding fiscal year) in the State Employment  
25 Security Administration Account for the State.

1       “(B) The amount of the excess determined not to be  
2 retained as provided in paragraph (3)(A) as of the close  
3 of any fiscal year ending after September 30, 2005, shall  
4 be transferred (as of the beginning of the succeeding fiscal  
5 year) to the unemployment compensation benefit account  
6 of the State in the unemployment trust fund.

7       “(C)(i) At the close of each of fiscal years 1999  
8 through 2002, there shall be transferred to the Supple-  
9 mental Employment Security Administration Account, out  
10 of the Employment Security Administration Account,  
11 \$5,000,000—

12               “(I) for determining whether individuals claim-  
13 ing unemployment compensation under State laws  
14 conforming to section 3304 of the Internal Revenue  
15 Code of 1986 are available to accept suitable work  
16 and have not refused suitable work as prescribed by  
17 the State unemployment compensation law;

18               “(II) for job search and placement services to  
19 individuals claiming unemployment compensation  
20 benefits and other job seekers including counseling,  
21 testing, occupational and labor market information,  
22 assessment, and referral to employers;

23               “(III) for appropriate recruitment services and  
24 special technical services for employers; and

1           “(IV) for collection of the Federal unemploy-  
2           ment tax imposed pursuant to section 3301.

3           “(ii) At the close of each of fiscal years 1999 through  
4           2002, there shall be transferred to the State Employment  
5           Security Administration Accounts, out of the Employment  
6           Security Administration Account, \$245,000,000—

7           “(I) for determining whether individuals claim-  
8           ing unemployment compensation under State laws  
9           conforming to section 3304 of the Internal Revenue  
10          Code of 1986 (26 U.S.C. 3304) are available to ac-  
11          cept suitable work and have not refused suitable  
12          work as prescribed by the State unemployment com-  
13          pensation law;

14          “(II) for job search and placement services to  
15          individuals claiming unemployment compensation  
16          benefits and other job seekers including counseling,  
17          testing, occupational and labor market information,  
18          assessment, and referral to employers;

19          “(III) for appropriate recruitment services and  
20          special technical services for employers; and

21          “(IV) for FUTA collection.

22          “(iii) Each State’s share of the funds to be trans-  
23          ferred to the State Employment Security Administration  
24          Accounts shall bear the same ratio to the total amount  
25          to be transferred to such accounts as the amount of wages

1 subject to tax under section 3301 et seq. of the Internal  
2 Revenue Code of 1986 during the preceding calendar year  
3 which are determined by the Secretary of Labor to be at-  
4 tributable to the State, bears to the total amount of wages  
5 subject to such tax during such year.

6       “(D) As of the close of the fiscal year ending Septem-  
7 ber 30, 2003, 96 percent of the amount in the employment  
8 security administration account shall be transferred as of  
9 October 1, 2003, to the State Employment Security Ad-  
10 ministration Accounts of the States, 2 percent shall be  
11 transferred as of October 1, 2003, to the Supplemental  
12 Employment Security Administration Account, and two  
13 percent shall be transferred as of October 1, 2003, to the  
14 Secretary of Labor Employment Security Administration  
15 Account. Each State’s share of the funds to be transferred  
16 to the State Employment Security Administration Ac-  
17 counts shall bear the same ratio to the total amount to  
18 be transferred to such accounts as the amount of wages  
19 subject to tax under section 3301 et seq. of the Internal  
20 Revenue Code of 1986 during the preceding calendar year  
21 which are determined by the Secretary of Labor to be at-  
22 tributable to the State, bears to the total amount of wages  
23 subject to such tax during such year. Such amounts shall  
24 be available for the purposes set forth in subsection (b)(1).

1           “(E) As of October 31, 1999, and the end of each  
2 month thereafter, 96 percent of the amount in the Em-  
3 ployment Security Transition Account shall be transferred  
4 to the State Employment Security Administration Ac-  
5 counts of the States, 2 percent shall be transferred to the  
6 Supplemental Employment Security Administration Ac-  
7 count, and two percent shall be transferred to the Sec-  
8 retary of Labor Employment Security Administration Ac-  
9 count. Each State’s share of the funds to be transferred  
10 to the State Employment Security Administration Ac-  
11 counts shall bear the same ratio to the total amount to  
12 be transferred to such accounts as the amount of wages  
13 subject to tax under section 3301 et seq. of the Internal  
14 Revenue Code of 1986 during the preceding calendar year  
15 which are determined by the Secretary of Labor to be at-  
16 tributable to the State, bears to the total amount of wages  
17 subject to such tax during such year.

18           “(4) For the purposes of this section, the net balance  
19 in the employment security administration account and  
20 the State Employment Security Administration Account  
21 maintained for each State as of any time is the amount  
22 in such account as of such time reduced by the sum of  
23 the balance of advances (plus interest accrued thereon)  
24 then repayable to the revolving fund established by sub-  
25 section (d) of this section. The net balance in the State

1 Employment Security Administration Account maintained  
2 for each State as of the beginning of any fiscal year shall  
3 be determined after the disposition of the excess in such  
4 account as of the close of the preceding fiscal year.”

5 **SEC. 207. TREATMENT OF EXCESS FUA AMOUNTS.**

6 Effective September 30, 2003, section 902 of the So-  
7 cial Security Act is amended by striking subsections (a)  
8 and (b) and inserting the following:

9 “Treatment of Excess Amounts in the Federal  
10 Unemployment Account

11 “(a) The amount, if any, by which the amount in the  
12 Federal Unemployment Account as of the close of the fis-  
13 cal year ending September 30, 2003, and any fiscal year  
14 thereafter exceeds the amount (determined by the Sec-  
15 retary of Labor) equal to 0.25 percent of the total wages  
16 subject (determined without limitation on amount) to con-  
17 tributions under all State unemployment compensation  
18 laws for the calendar year ending during the fiscal year  
19 for which the excess is determined shall be transferred to  
20 the State Employment Security Administration Account  
21 of each State as of the beginning of the following fiscal  
22 year.

23 “State Allocation Formula

24 “(b) Each State’s share of the funds to be transferred  
25 under paragraph (a) of this section shall bear the same

1 ratio to the total amount to be so transferred as the  
2 amount of wages subject to tax under section 3301 of the  
3 Internal Revenue Code of 1986 during the preceding cal-  
4 endar year which are determined by the Secretary of  
5 Labor to be attributable to the State, bears to the total  
6 amount of wages subject to such tax during such year.”

7 **SEC. 208. REPEAL OF REPORTING REQUIREMENT.**

8 Subsection (c) of section 902 of the Social Security  
9 Act is repealed.

10 **SEC. 209. TERMINATION OF EXTENDED UNEMPLOYMENT**  
11 **COMPENSATION ACCOUNT.**

12 Subsection (a) of section 903 of the Social Security  
13 Act is amended, effective September 30, 2003, to read as  
14 follows:

15 “Termination of Extended Unemployment Compensation  
16 Account

17 “(a)(1) As of the close of the fiscal year ending Sep-  
18 tember 30, 2003, the excess in the Extended Unemploy-  
19 ment Compensation Account shall be transferred to the  
20 State Employment Security Administration Accounts of  
21 the States and the remaining balance in the Extended Un-  
22 employment Compensation Account shall be transferred to  
23 the Unemployment Compensation Benefit Accounts of the  
24 States in the unemployment trust fund, except as provided  
25 in subsection (b) of this section.

1       “(2) Each State’s share of the excess to be distrib-  
 2       uted to State Employment Security Administration Ac-  
 3       counts and the balance to be transferred to the State Em-  
 4       ployment Security Benefit Account under this subsection  
 5       as of October 1, 2003—

6               “(A) shall be determined by the Secretary of  
 7       Labor and certified by such Secretary to the Sec-  
 8       retary of the Treasury before such date, and

9               “(B) shall bear the same ratio to the total  
 10       amount to be so transferred as—

11               “(i) the amount of wages subject to tax  
 12       under section 3301 of the Internal Revenue  
 13       Code of 1986 during the preceding calendar  
 14       year which are determined by the Secretary of  
 15       Labor to be attributable to the State, bears to

16               “(ii) the total amount of wages subject to  
 17       such tax during such year.”

18 **SEC. 210. TREATMENT OF AMOUNTS ELECTED BY INELI-**  
 19 **GIBLE STATES.**

20       Subsection (b) of section 903 of the Social Security  
 21       Act is amended, effective October 1, 1999, to read as fol-  
 22       lows:

23       “Treatment of Amounts Elected by Ineligible States

24       “(b)(1) If the Secretary of Labor finds that on Octo-  
 25       ber 1 of any fiscal year—

1           “(A) a State is not eligible for certification  
2 under section 303 of this title, or

3           “(B) the law of a State is not approvable under  
4 section 3304 of the Federal Unemployment Tax Act  
5 (26 U.S.C. 3304), then the amount available for  
6 transfer to such State’s unemployment compensation  
7 benefit account in the unemployment trust fund  
8 shall, in lieu of being so transferred, be transferred  
9 to the Federal unemployment account as of the be-  
10 ginning of such October 1. If, during the fiscal year  
11 beginning on such October 1, the Secretary of Labor  
12 finds and certifies to the Secretary of the Treasury  
13 that such State is eligible for certification under sec-  
14 tion 303 of this title, and the law of such State is  
15 approvable under such section 3304, the Secretary  
16 of the Treasury shall transfer such amount from the  
17 Federal unemployment account to the unemployment  
18 compensation benefit account of such State in the  
19 unemployment trust fund. If the Secretary of Labor  
20 does not so find and certify to the Secretary of the  
21 Treasury before the close of such fiscal year then  
22 the amount which was available for transfer to such  
23 State’s unemployment compensation benefit account  
24 as of October 1 of such fiscal year shall (as of the

1 close of such fiscal year) become part of the Federal  
2 unemployment account.

3 “(2) The amount which, but for this paragraph,  
4 would be transferred to the unemployment compensation  
5 benefit account of a State under subsection (a) of this sec-  
6 tion or paragraph (1) of this subsection shall be reduced  
7 (but not below zero) by the balance of advances made to  
8 the State under section 1321 of this title. The sum by  
9 which such amount is reduced shall—

10 “(A) be transferred to or retained in (as the  
11 case may be) the Federal unemployment account,  
12 and

13 “(B) be credited against, and operate to re-  
14 duce—

15 “(i) first, any balance of advances made  
16 before September 13, 1960, to the State under  
17 section 1321 of this title, and

18 “(ii) second, any balance of advances made  
19 on or after September 13, 1960, to the State  
20 under section 1321 of this title.”

21 **SEC. 211. USE OF REED ACT FUNDS.**

22 Subsection (c) of section 903 of the Social Security  
23 Act is amended, effective October 1, 1999, to read as fol-  
24 lows:

1                   “Use of Reed Act Funds

2           “(c)(1) Except as provided in paragraph (2),  
3 amounts transferred to the unemployment compensation  
4 benefit account of a State pursuant to subsections (a) and  
5 (b) of this section shall be used only in the payment of  
6 cash benefits to individuals with respect to their unem-  
7 ployment, exclusive of expenses of administration.

8           “(2) A State may, pursuant to a specific appropria-  
9 tion made by the legislative body of the State, use money  
10 withdrawn from its unemployment compensation benefit  
11 account in the payment of expenses incurred by it for the  
12 administration of its unemployment compensation law and  
13 public employment services if and only if—

14                   “(A) the purposes and amounts were specified  
15           in the law making the appropriation,

16                   “(B) the appropriation law did not authorize  
17           the obligation of such money after the close of the  
18           two-year period which began on the date of enact-  
19           ment of the appropriation law,

20                   “(C) the money is withdrawn and the expenses  
21           are incurred after such date of enactment, and

22                   “(D)(i) the appropriation law limits the total  
23           amount which may be obligated under such appro-  
24           priation at any time to an amount which does not  
25           exceed, at any such time, the amount by which—

1           “(I) the aggregate of the amounts trans-  
2           ferred to the Unemployment Compensation  
3           Benefit Account of such State pursuant to sub-  
4           section (a) and (b) of this section, exceeds

5           “(II) the aggregate of the amounts used by  
6           the State pursuant to this subsection and  
7           charged against the amounts transferred to the  
8           Unemployment Compensation Benefit Account  
9           of such State, and

10          “(ii) for purposes of clause (I), amounts used  
11          by a State for administration shall be chargeable  
12          against transferred amounts at the exact time the  
13          obligation is entered into

14          “(E) the use of the money shall be accounted  
15          for in accordance with standards established by each  
16          State. Proceeds from the sale or transfer of real  
17          property and other capital assets which were origi-  
18          nally purchased with Federal funds provided under  
19          titles III or IX of the Social Security Act, may be  
20          used by a State agency administering State law in  
21          accord with titles III and IX of the Social Security  
22          Act (42 U.S.C. 501; and 42 U.S.C. 1101) and sec-  
23          tion 3304 of the Internal Revenue Code of 1986 (26  
24          U.S.C. 3301 et seq.) to purchase or otherwise ac-  
25          quire real property or other capital assets for a pe-

1       riod of two years after the date of sale or transfer.  
2       Proceeds from the sale or transfer of real property  
3       remaining after such two year period shall be depos-  
4       ited in the State’s Employment Security Administra-  
5       tion Account established pursuant to section 904 of  
6       the Social Security Act (42 U.S.C. 1104).

7       “(3)(A) If—

8               “(i) amounts transferred to the Unemployment  
9       Compensation Benefit Account of a State pursuant  
10      to subsections (a) and (b) of this section were used  
11      in payment of unemployment benefits to individuals;  
12      and

13              “(ii) the Governor of such State submits a re-  
14      quest to the Secretary of Labor that such amounts  
15      be restored under this paragraph, then the amounts  
16      described in clause (i) shall be restored to the status  
17      of funds transferred under subsections (a) and (b)  
18      of this section which have not been used by eliminat-  
19      ing any charge against amounts so transferred for  
20      the use of such amounts in the payment of unem-  
21      ployment benefits.

22      “(B) Subparagraph (A) shall apply only to the extent  
23      that the amounts described in clause (i) of such subpara-  
24      graph do not exceed the amount then in the State’s Unem-  
25      ployment Compensation Benefit Account.

1       “(C) Subparagraph (A) shall not apply if the State  
2 has a balance of advances made to its Unemployment  
3 Compensation Benefit Account under subchapter XII of  
4 this chapter.

5       “(D) If the Secretary of Labor determines that the  
6 requirements of this paragraph are met with respect to  
7 any request, the Secretary shall notify the Governor of the  
8 State that such requirements are met with respect to such  
9 request and the amount restored under this paragraph.  
10 Such restoration shall be as of the first day of the first  
11 month following the month in which the notification is  
12 made.”

13 **SEC. 212. PROVISIONS RELATING TO ESTABLISHMENT OF**  
14 **UNEMPLOYMENT TRUST FUND.**

15       Subsection (a) of section 904 of the Social Security  
16 Act is amended, effective October 1, 1999, to read as fol-  
17 lows:

18                               “Establishment, Etc.

19       “(a) There is hereby established in the Treasury of  
20 the United States a trust fund to be known as the Unem-  
21 ployment Trust Fund (hereinafter in this subchapter  
22 called the ‘Fund’). The Secretary of the Treasury is au-  
23 thorized and directed to receive and hold in the Fund all  
24 moneys deposited therein by a State agency from a State  
25 unemployment fund. All moneys in the form of contribu-

1 tions and payments in lieu of contributions under the  
2 State law shall be deposited into the State’s Unemploy-  
3 ment Compensation Benefit Account established pursuant  
4 to this section. All moneys collected by a State agency  
5 under the provisions of the Federal Unemployment Tax  
6 Act (26 U.S.C. 3301 et seq.) and moneys transferred or  
7 deposited under other sections of this title or chapter 23  
8 of the Internal Revenue Code of 1986 shall be deposited  
9 into the State’s Employment Security Administration Ac-  
10 count. All moneys collected by the Internal Revenue Serv-  
11 ice after January 1, 2000, under the provisions of the  
12 Federal Unemployment Tax Act (26 U.S.C. 3301 et seq.)  
13 shall be deposited into the Employment Security Transi-  
14 tion Account of the fund. Moneys collected by the railroad  
15 retirement board shall be deposited to the credit of the  
16 railroad unemployment insurance account or the railroad  
17 unemployment insurance administration fund.”

18 **SEC. 213. SEPARATE BOOK ACCOUNTS.**

19 Subsection (e) of section 904 of the Social Security  
20 Act is amended, effective October 1, 1999, to read as fol-  
21 lows:

22 “Separate Book Accounts

23 “(e)(1) The Fund shall be invested as a single fund,  
24 but the Secretary of the Treasury shall maintain a sepa-  
25 rate book account for the Employment Security Transition

1 Account, each State Agency Unemployment Compensation  
2 Benefit Account, the Employment Security Administra-  
3 tion Account for each State, the Supplemental Employ-  
4 ment Security Administration Account, the Secretary of  
5 Labor Employment Security Administration Account, the  
6 Federal Unemployment Account, the railroad unemploy-  
7 ment insurance account, and the railroad unemployment  
8 insurance administration fund and shall credit quarterly  
9 (on March 31, June 30, September 30, and December 31,  
10 of each year) to each account, on the basis of the average  
11 daily balance of such account, a proportionate part of the  
12 earnings of the Fund for the quarter ending on such date.  
13 For the purpose of this subsection, the average daily bal-  
14 ance shall be computed—

15           “(A) in the case of any State Unemployment  
16           Compensation Benefit Account, by reducing (but not  
17           below zero) the amount in the account by the bal-  
18           ance of advances made to the State under section  
19           1321 of this title, and

20           “(B) in the case of the Federal Unemployment  
21           Account—

22                   “(i) by adding to the amount in the ac-  
23                   count the aggregate of the reductions under  
24                   paragraph (1), and



1 ment of administrative expenses, as the Railroad Retire-  
 2 ment Board may duly certify, not exceeding the amount  
 3 standing to the credit of such account or such fund, as  
 4 the case may be, at the time of such payment.”

5 **SEC. 215. REPEAL OF EUCA ACCOUNT AND TRANSFERS.**

6 Section 905 of the Social Security Act is amended,  
 7 effective October 1, 1999, to read as follows:

8 “Terms of Transfer of EUCA Funds to State Accounts

9 “SEC. 905. Amounts, if any, in the Extended Unem-  
 10 ployment Compensation Account at the close of the fiscal  
 11 year ending September 30, 2003, and every fiscal year  
 12 thereafter, shall be transferred to the Unemployment  
 13 Compensation Benefit Accounts of the States in the Un-  
 14 employment Trust Fund as of the beginning of the follow-  
 15 ing fiscal year. Each State’s share shall be determined  
 16 using the formula set forth in section 903(a)(2)(B).”

17 **SEC. 216. REPEAL OF INTERFUND BORROWING AUTHORITY.**

18 Section 910 of the Social Security Act is repealed.

19 **TITLE III—GRANTS TO STATES**  
 20 **FOR EMPLOYMENT SECURITY**  
 21 **ADMINISTRATION**

22 **SEC. 301. REPEAL OF SECTIONS 301 AND 302 OF THE SOCIAL**  
 23 **SECURITY ACT.**

24 (a) IN GENERAL.—Sections 301 and 302 of the So-  
 25 cial Security Act are repealed.

1 (b) CONFORMING AMENDMENT.—The table of con-  
2 tents for title III of the Social Security Act is amended  
3 by striking the items relating to sections 301 and 302.

4 (c) EFFECTIVE DATE.—This section shall take effect  
5 October 1, 2003.

6 **SEC. 302. STATE REQUIREMENTS.**

7 (a) CONFORMITY REQUIREMENTS.—Effective Octo-  
8 ber 1, 1999, subsection (a) of section 303 of the Social  
9 Security Act is amended by striking “The Secretary”  
10 through “for—” and inserting the following: “As of Octo-  
11 ber 31 each year, at the time of the certification prescribed  
12 under section 3304(c) of the Internal Revenue Code of  
13 1986 (26 U.S.C. 3304(c)), the Secretary of Labor shall  
14 certify whether each State’s law includes provision  
15 for—”.

16 (b) LIMITATION ON USE OF BENEFIT ACCOUNT  
17 FUNDS.—Effective October 1, 1999, paragraph (5) of sec-  
18 tion 303(a) of the Social Security Act is amended to read  
19 as follows:

20 “(5) Expenditure of all money withdrawn from  
21 the State’s Unemployment Compensation Benefit  
22 Account within the unemployment fund of such  
23 State, in the payment of unemployment compensa-  
24 tion, exclusive of expenses of administration, and for  
25 refunds of sums erroneously paid into such fund and

1 refunds paid in accordance with the provisions of  
2 section 3305(b) of the Federal Unemployment Tax  
3 Act (26 U.S.C. 3305(b)): *Provided*, That an amount  
4 equal to the amount of employee payments into the  
5 Unemployment Compensation Benefit Account with-  
6 in the unemployment fund of a State may be used  
7 in the payment of cash benefits to individuals with  
8 respect to their disability, exclusive of expenses of  
9 administration: *Provided further*, That the amounts  
10 specified by section 1103(c)(2) of this title may, sub-  
11 ject to the conditions prescribed in such section, be  
12 used for expenses incurred by the State for adminis-  
13 tration of its unemployment compensation law and  
14 public employment services: *Provided further*, That  
15 nothing in this paragraph shall be construed to pro-  
16 hibit deducting an amount from unemployment ben-  
17 efits and used to repay overpayments as provided in  
18 subsection (g) of this section: *Provided further*, That  
19 amounts may be withdrawn for the payment of  
20 short-time compensation under a plan approved by  
21 the Secretary of Labor: *Provided further*, That  
22 amounts may be withdrawn for the payment of al-  
23 lowances under a self-employment assistance pro-  
24 gram (as defined in section 3306(t) of the Internal  
25 Revenue Code of 1986 (26 U.S.C. 3306(t)); and”.

1 (c) USE OF ADMINISTRATIVE FUNDS.—Effective Oc-  
2 tober 1, 1999, paragraph (8) of section 303(a) of the So-  
3 cial Security Act is amended to read as follows:

4 “(8) Expenditure of all moneys received pursu-  
5 ant to title IX of the Social Security Act solely for  
6 the proper and efficient administration of such State  
7 law and services specified in title IX of the Social  
8 Security Act, and section 3304 of the Internal Reve-  
9 nue Code of 1986; and”.

10 (d) PROPER ADMINISTRATION REQUIREMENT.—Ef-  
11 fective October 1, 1999, paragraph (9) of section 303(a)  
12 of the Social Security Act is amended to read as follows:

13 “(9) The replacement, within a reasonable time,  
14 of any moneys received pursuant to title IX of the  
15 Social Security Act, which, because of any action or  
16 contingency, have been lost or have been expended  
17 for purposes other than those necessary for the  
18 proper administration of such State law and the pro-  
19 vision of services under title IX of the Social Secu-  
20 rity Act, and section 3304 of the Internal Revenue  
21 Code of 1986; and”.

22 **SEC. 303. INTERPRETATION OF METHODS OF ADMINISTRA-**  
23 **TION REQUIREMENT.**

24 Effective October 1, 1999, subsection (a) of section  
25 303 of the Social Security Act, as amended by section 302



1                   “STATE LAW REQUIREMENTS

2           “SEC. 202. (a)(1) For purposes of section  
3 3304(a)(11) of the Internal Revenue Code of 1986, a  
4 State law shall provide that payment of extended com-  
5 pensation shall be made, for any week of unemployment  
6 which begins in the individual’s eligibility period as pre-  
7 scribed by State law, to individuals who have exhausted  
8 all rights to regular compensation and who have no rights  
9 to regular compensation with respect to such week under  
10 State unemployment compensation law or under the un-  
11 employment compensation law of Canada. For purposes  
12 of the preceding sentence, an individual shall have ex-  
13 hausted his rights to regular compensation—

14                   “(A) when no payments of regular compensa-  
15 tion are authorized to be made because the individ-  
16 ual has received all regular compensation available  
17 to the individual, or

18                   “(B) when the individual’s rights to such com-  
19 pensation have terminated by reason of the expira-  
20 tion of the benefit year with respect to which such  
21 rights existed.

22           “(2) The State law shall provide that the State will  
23 establish, for each eligible individual who files an applica-  
24 tion therefor, an extended compensation account within  
25 the State’s Unemployment Compensation Benefit Account

1 with respect to such individual's benefit year. Individuals  
2 determined eligible for a week or weeks of extended com-  
3 pensation shall be paid for such week or weeks by the  
4 State agency with funds to be drawn from the State's Un-  
5 employment Compensation Benefit Account.

6       “(3) States with State laws certified as meeting the  
7 requirements of the Federal-State Extended Unemploy-  
8 ment Compensation Act of 1970 on October 31, 1999,  
9 shall be deemed to meet the requirements for certification  
10 with respect to the Extended Unemployment Compensa-  
11 tion Act of 1998 for the year ending October 31, 2000,  
12 as long as the State law is not amended so as to conflict  
13 with the requirements of this title.

14                               “EXTENDED BENEFIT PERIOD

15       “SEC. 203. (a)(1) For the purposes of this title, in  
16 the case of any State, an extended benefit period—

17               “(A) shall begin with the third week after the  
18 first week for which there is an ‘on’ indicator; and

19               “(B) shall end with the third week after the  
20 first week for which there is an ‘off’ indicator.

21       “(2) For the purposes of this title, an individual's eli-  
22 gibility period under the State law shall consist of the  
23 weeks in his benefit year which begin in an extended bene-  
24 fit period and, if his benefit year ends within such ex-  
25 tended benefit period, any weeks thereafter which begin  
26 in such extended benefit period.





1           “(5) The term ‘base period’ means the base pe-  
2           riod as determined under applicable State law.

3           “(6) The term ‘Secretary’ means the Secretary  
4           of Labor of the United States.

5           “(7) The term ‘State’ includes the District of  
6           Columbia, the Virgin Islands, and the Common-  
7           wealth of Puerto Rico.

8           “(8) The term ‘State agency’ means the agency  
9           of the State which administers its State law.

10          “(9) The term ‘State law’ means the unemploy-  
11          ment compensation law of the State, approved by  
12          the Secretary under section 3304 of the Internal  
13          Revenue Code of 1986.

14          “(10) The term ‘week’ means a week as defined  
15          in the applicable State law.”

16       **TITLE    V—FEDERAL    EMPLOY-**  
17       **MENT SECURITY SERVICE**

18       **SEC. 501. AMENDMENT TO STATEMENT OF PURPOSES.**

19          Section 1 of the Wagner-Peyser Act (29 U.S.C. 49)  
20       is amended, effective October 1, 1999, to read as follows:

21          “SECTION 1. In order to assist in the coordination  
22       of public employment security services, the United States  
23       Employment Security Service shall be established and  
24       maintained within the Department of Labor.”

1 **SEC. 502. PURPOSE OF EMPLOYMENT SECURITY SERVICE.**

2 The provisions of the Wagner-Peyser Act provided in  
3 paragraph (a) of section 49b of title 29 of the United  
4 States Code are amended effective October 1, 1999, to  
5 read as follows:

6 “(a) The United States Employment Security Service  
7 shall assist in coordinating public employment services  
8 throughout the country and assure that the requirements  
9 of titles III and IX of the Social Security Act (42 U.S.C.  
10 501 et seq. and 42 U.S.C. 1101 et seq.) and section 3304  
11 of the Internal Revenue Code of 1986 (26 U.S.C. 3304)  
12 are met.”

13 **SEC. 503. TRANSFER OF REAL PROPERTY.**

14 The provisions of the Wagner-Peyser Act provided in  
15 section 49c(1) of title 29 of the United States Code are  
16 amended effective October 1, 1999, as follows: “For the  
17 purpose of assisting in the coordination of employment  
18 services in accordance with the terms of this chapter, the  
19 Secretary of Labor is authorized without payment of com-  
20 pensation to transfer and assign to the States in which  
21 it is located all property, including records, files, and office  
22 equipment, used by the United States Employment Serv-  
23 ice in its administrative and local employment offices in  
24 the respective States, except the records, files, and prop-  
25 erty used in the Veterans Service and in the Farm Place-  
26 ment Service maintained under this chapter.”

1 **SEC. 504. REPEAL OF FEDERAL APPROPRIATIONS AUTHOR-**  
2 **ITY.**

3 The provisions of the Wagner-Peyser Act set forth  
4 in section 49d and 49e of title 29 of the United States  
5 Code are repealed effective October 1, 2003.

6 **SEC. 505. USE OF PUBLIC EMPLOYMENT SERVICE FUNDS.**

7 The provisions of the Wagner-Peyser Act set forth  
8 in subsection (a) of section 49f of title 29 of the United  
9 States Code are amended effective October 1, 2003, to  
10 read as follows:

11 “(a) Funds provided to such State under title IX of  
12 the Social Security Act for public employment services  
13 shall be used—

14 “(1) for determining whether individuals claim-  
15 ing unemployment compensation under State laws  
16 conforming to section 3304 of the Internal Revenue  
17 Code of 1986 (26 U.S.C. 3304) are available to ac-  
18 cept suitable work and have not refused suitable  
19 work as prescribed by the State unemployment com-  
20 pensation law;

21 “(2) for job search and placement services to  
22 individuals claiming unemployment compensation  
23 benefits and other job seekers including counseling,  
24 testing, occupational and labor market information,  
25 assessment, and referral to employers; and

1           “(3) for appropriate recruitment services and  
2 special technical services for employers, and may be  
3 used for any of the following activities:

4           “(A) evaluation of programs;

5           “(B) developing linkages between services  
6 funded under this Act and related Federal or  
7 State legislation, including the provision of  
8 labor exchange services at education sites;

9           “(C) providing services for workers who  
10 have received notice of permanent layoff or im-  
11 pending layoff, or workers in occupations which  
12 are experiencing limited demand due to techno-  
13 logical change, impact of imports, or plant clo-  
14 sures;

15           “(D) developing and providing labor mar-  
16 ket and occupational information;

17           “(E) developing a management informa-  
18 tion system and compiling and analyzing re-  
19 ports therefrom.”.

20 **SEC. 506. REPEAL OF FEDERAL USE OF FUNDS REQUIRE-**  
21 **MENTS.**

22           The provisions of the Wagner-Peyser Act set forth  
23 in subsection (b) through (d) of section 49f of title 29  
24 of the United States Code are repealed as of October 1,  
25 2003.

1 **SEC. 507. REPEAL OF FEDERAL PLANNING AND FISCAL RE-**  
2 **QUIREMENTS.**

3 The provisions of the Wagner-Peyser Act set forth  
4 in sections 49g, 49h, 49k, 49l and 49l-1 of the United  
5 States Code are repealed as of October 1, 2003.

6 **TITLE VI—ADVANCES TO STATE**  
7 **UNEMPLOYMENT COMPENSA-**  
8 **TION BENEFIT ACCOUNTS**

9 **SEC. 601. TRANSFERS FROM THE FEDERAL UNEMPLOY-**  
10 **MENT ACCOUNT.**

11 Subsection (b) of section 1201 of the Social Security  
12 Act is amended, effective October 1, 1999, to read as fol-  
13 lows:

14 “(b) The Secretary of the Treasury shall, prior to  
15 audit or settlement by the General Accounting Office,  
16 transfer in monthly installments from the Federal Unem-  
17 ployment Account to the Unemployment Compensation  
18 Benefit Account of the State in the Unemployment Trust  
19 Fund the amount certified under subsection (a) of this  
20 section by the Secretary of Labor (but not exceeding that  
21 portion of the balance in the Federal Unemployment Ac-  
22 count at the time of the transfer which is not restricted  
23 as to use pursuant to section 903 of the Social Security  
24 Act). The amount of any monthly installment so trans-  
25 ferred shall not exceed the amount estimated by the State

1 to be required for the payment of compensation for the  
2 month with respect to which such installment is made.”

3 **SEC. 602. USE OF TRANSFERRED FUNDS.**

4 Subsection (a) of section 1202 of the Social Security  
5 Act is amended, effective October 1, 1999, to read as fol-  
6 lows:

7 “(a) The Governor of any State may at any time re-  
8 quest that funds be transferred from the Unemployment  
9 Compensation Benefit Account of such State in the unem-  
10 ployment trust fund to the Federal Unemployment Ac-  
11 count in repayment of part or all of that balance of ad-  
12 vances, made to such State under section 1321 of this  
13 title, specified in the request, and the Secretary of the  
14 Treasury shall promptly transfer such amount in reduc-  
15 tion of such balance.”

16 **SEC. 603. DETERMINATION OF INTEREST RATE.**

17 Effective October 1, 1999, section 1202(b) of the So-  
18 cial Security Act is amended by striking paragraphs (4)  
19 and (5) and inserting the following:

20 “(4) The interest rate determined under this  
21 paragraph with respect to any calendar year is a  
22 percentage (but not in excess of 10 percent) deter-  
23 mined by dividing—

24 “(A) the aggregate amount credited under  
25 section 904 of the Social Security Act to State

1           Unemployment Compensation Benefit Accounts  
2           on the last day of the last calendar quarter of  
3           the immediately preceding calendar year, by

4                   “(B) the aggregate of the average daily  
5           balances of the State Unemployment Com-  
6           pensation Benefit Accounts for such quarter as  
7           determined under section 904(e) of the Social  
8           Security Act.

9                   “(5) Interest required to be paid under para-  
10          graph (1) shall not be paid (directly or indirectly) by  
11          a State from amounts in its Unemployment Com-  
12          pensation Benefit Account. If the Secretary of Labor  
13          determines that any State action results in the pay-  
14          ing of such interest directly or indirectly (by an  
15          equivalent reduction in State unemployment taxes or  
16          otherwise) from such Unemployment Compensation  
17          Benefit Account, the Secretary of Labor shall not  
18          certify such State’s unemployment compensation law  
19          under section 3304 of the Internal Revenue Code of  
20          1986. Such noncertification shall be made in accord-  
21          ance with section 3304(c) of such Code.”

22 **SEC. 604. REVOLVING LOAN FUND.**

23           Effective October 1, 1999, section 1203 of the Social  
24          Security Act is amended to read as follows:

1 “ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

2 “SEC. 1203. There are hereby authorized to be ap-  
3 propriated to the Federal Unemployment Account, as re-  
4 payable advances, such sums as may be necessary to carry  
5 out the purposes of this title. Amounts appropriated as  
6 repayable advances for purposes of this subsection shall  
7 bear interest at a rate equal to the average rate of interest,  
8 computed as of the end of the calendar month next preced-  
9 ing the date of such advance, borne by all interest bearing  
10 obligations of the United States then forming part of the  
11 public debt; except that in cases in which such average  
12 rate is not a multiple of one-eighth of 1 percent, the rate  
13 of interest shall be the multiple of one-eighth of 1 percent  
14 next lower than such average rate.”

15 **TITLE VII—CONFORMING**  
16 **AMENDMENTS**

17 **SEC. 701. CONFORMING AMENDMENT TO DEFINITIONAL**  
18 **PROVISION.**

19 Section 5401(b) of the Balanced Budget Act of 1997  
20 is amended, effective November 1, 1999, by striking “Fed-  
21 eral-State Extended Unemployment Compensation Act of  
22 1970 (26 U.S.C. 3304 note)” and inserting “Extended  
23 Unemployment Compensation Act of 1998”.

1 **SEC. 702. BALANCED BUDGET AMENDMENTS.**

2       Sections 5402, 5403, 5404, and 5408 of the Bal-  
3 anced Budget Act of 1997, Public Law 105–33, are re-  
4 pealed effective September 30, 2003.

5 **SEC. 703. REPEAL OF FEDERAL UNEMPLOYMENT TAX**  
6 **AMENDMENT.**

7       Amendments enacted in section 1035 of the Taxpayer  
8 Relief Act of 1997, Public Law 105–34, are repealed.

○