

106TH CONGRESS  
1ST SESSION

# H. R. 3174

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 and 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

OCTOBER 28, 1999

Mr. McCrery (for himself, Mr. Boehner, Mr. Shaw, Mr. Herger, Mr. Baker, Mr. Ramstad, Mr. Sununu, Mr. Bachus, Mr. LaTourette, Mr. Oxley, Mr. Collins, Mr. Portman, Mr. Watkins, Mr. Hayworth, Mr. McInnis, Mr. Lewis of Kentucky, Ms. Pryce of Ohio, Mr. Traficant, Mr. Sessions, Mr. Chambliss, Mr. Dickey, Mrs. Cubin, Mr. Hansen, and Mr. Stenholm) 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 and 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,*

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

4 (a) SHORT TITLE.—This Act may be cited as the  
 5 “Employment Security Financing Act of 1999”.

6 (b) TABLE OF CONTENTS.—The table of contents for  
 7 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. Amendment to section 3304(e).
- 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. Treatment 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. Establishment of EUCA account excess and transfers.
- Sec. 215. 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

- Sec. 401. Extended unemployment compensation.

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.

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 1999; or

14 “(2) 6.0 percent in the case of calendar year  
 15 2000 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)).

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

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

8 “(4) all money withdrawn from the unemploy-  
9 ment compensation benefit account of the unemploy-  
10 ment fund of the State shall be used solely in the  
11 payment of unemployment compensation, exclusive  
12 of expenses of administration, and for refunds of  
13 sums erroneously paid into such fund and refunds  
14 paid in accordance with the provisions of section  
15 3305(b); except that—

16 “(A) an amount equal to the amount of  
17 employee payments into the unemployment  
18 compensation benefit account of a State may be  
19 used in the payment of cash benefits to individ-  
20 uals with respect to their disability, exclusive of  
21 expenses of administration;

22 “(B) the amounts specified by section  
23 903(c)(2) of the Social Security Act may, sub-  
24 ject to the conditions prescribed in such section,  
25 be used for expenses incurred by the State for

1 administration of its unemployment compensa-  
2 tion law and public employment offices;

3 “(C) nothing in this paragraph shall be  
4 construed to prohibit deducting an amount  
5 from unemployment compensation otherwise  
6 payable to an individual and using the amount  
7 so deducted to apply for health insurance, or  
8 the withholding of Federal, State, or local indi-  
9 vidual income tax, if the individual elected to  
10 have such deduction made and such deduction  
11 was made under a program approved by the  
12 Secretary of Labor;

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

17 “(E) amounts may be withdrawn for the  
18 payment of short-time compensation under a  
19 plan approved by the Secretary of Labor; and

20 “(F) amounts may be withdrawn for the  
21 payment of allowances under a self-employment  
22 assistance program (as defined in section  
23 3306(t));”.

24 (b) EFFECTIVE DATE.—The amendments made by  
25 this section shall take effect on January 1, 2000.

1 **SEC. 103. ADDITIONAL REQUIREMENTS FOR APPROVAL OF**  
2 **STATE LAWS.**

3 (a) IN GENERAL.—Section 3304(a) of the Internal  
4 Revenue Code of 1986 is amended—

5 (1) by striking “and” at the end of paragraph  
6 (18);

7 (2) by striking the period at the end of para-  
8 graph (19) and inserting a semicolon; and

9 (3) by adding after paragraph (19) the fol-  
10 lowing:

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 this section are avail-  
17 able to accept suitable work and have not re-  
18 fused 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, and such reports shall include information  
8           with respect to—

9           “(A) the proportion of the individuals  
10          claiming compensation provided employment  
11          services in accordance with titles III and IX of  
12          the 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 2001 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.**—The amendments made by  
4       subsection (a) shall take effect on January 1, 2001.

5       **SEC. 104. AMENDMENT TO SECTION 3304(c).**

6       Subsection (c) of section 3304 of the Internal Rev-  
7       enue Code of 1986 is amended by adding at the end the  
8       following: “No State shall be required to enact a State  
9       law or to take any other action to meet the performance  
10      measures or other standards established by the Secretary  
11      of Labor pursuant to the Government Performance Re-  
12      sults Act of 1993.”

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

14      (a) **IN GENERAL.**—Subsection (f) of section 3306 of  
15      the Internal Revenue Code of 1986 is amended to read  
16      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 in the unemployment  
21      benefit accounts of the State agency in the Unemployment  
22      Trust Fund established by section 904 of the Social Secu-  
23      rity Act shall be deemed to be a part of the unemployment  
24      fund of the State, and no sums paid out of the Unemploy-  
25      ment Trust Fund to the unemployment benefit account



1 of such State agency shall cease to be a part of the unem-  
2 ployment fund of the State until expended by such State  
3 agency. An unemployment fund shall be deemed to be  
4 maintained during a taxable year only if throughout such  
5 year, or such portion of the year as the unemployment  
6 fund was in existence, no part of the moneys of such fund  
7 was expended for any purpose other than the payment of  
8 compensation and for refunds of sums erroneously paid  
9 into such fund and refunds paid in accordance with the  
10 provisions of section 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  
17           individuals with respect to their disability, exclusive  
18           of 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 indi-  
7           vidual 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  
14           as 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 pay-  
19           ment of short-time compensation under a plan ap-  
20           proved 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 pay-  
24           ment of allowances under a self-employment assist-  
25           ance program (as defined in subsection (t)).”

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect on October 1, 2000.

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

4 (a) IN GENERAL.—Section 3306 of the Internal Rev-  
5 enue Code of 1986 is amended by adding at the end the  
6 following:

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

18 (b) EFFECTIVE DATE.—The amendment made by  
19 subsection (a) shall take effect on October 1, 2000.

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

21 (a) IN GENERAL.—Subsection (a) of section 3501 of  
22 the Internal Revenue Code of 1986 is amended to read  
23 as follows:

24 “(a) GENERAL RULE.—(1) The taxes imposed by this  
25 subtitle shall be collected by the Secretary and shall be

1 paid into the Treasury of the United States as internal-  
2 revenue collections, except that effective for calendar year  
3 2001 and calendar years thereafter the tax imposed by  
4 section 3301 shall be collected by the State agencies re-  
5 sponsible for administration of the State unemployment  
6 law (or any other State agencies specifically identified by  
7 State law) as agents for the Secretary. Amounts collected  
8 by each State agency shall be paid into the treasury to  
9 the credit of the State employment security administration  
10 account of the State as prescribed in section 3301 and  
11 titles III and IX of the Social Security Act. Effective for  
12 calendar year 2001 and each calendar year thereafter, the  
13 tax, including accounts receivable from prior years, shall  
14 be collected by the State agencies responsible for adminis-  
15 tration of the State unemployment compensation law as  
16 agents for the Secretary of the Treasury. Amounts col-  
17 lected for years prior to calendar year 2004 by each State  
18 agency responsible for administration of the State unem-  
19 ployment compensation law shall be immediately deposited  
20 in the employment security administration account estab-  
21 lished pursuant to section 904 of the Social Security Act.  
22 Amounts collected for calendar year 2004 and years there-  
23 after shall be immediately deposited in the State's employ-  
24 ment security administration account established pursuant  
25 to section 904 of the Social Security Act. Amounts col-

1 lected after January 1, 2001, by the Internal Revenue  
2 Service shall be immediately deposited in the employment  
3 security transition account within the Unemployment  
4 Trust Fund established pursuant to section 904 of the So-  
5 cial Security Act.”.

6 “(2) The Secretary is authorized to enter into agree-  
7 ments with the State agencies administering State unem-  
8 ployment compensation laws to assist with the administra-  
9 tion of chapter 23 of the Internal Revenue Code of 1986.”

10 (b) EFFECTIVE DATE.—The amendment made by  
11 subsection (a) shall take effect on October 1, 2000.

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

13 (a) IN GENERAL.—The last sentence of section  
14 6157(a) of the Internal Revenue Code of 1986 is amended  
15 to read as follows: “The tax for any calendar quarter or  
16 other period shall be computed as provided in subsection  
17 (b) and the tax as so computed shall, except as otherwise  
18 provided in subsection (c), be paid, effective for calendar  
19 year 2001 and calendar years thereafter, to the State  
20 agency responsible for administration of the State unem-  
21 ployment compensation law as the agent of the Secretary.  
22 Such taxes shall be paid quarterly.”

23 (b) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall take effect on October 1, 2000.

1 **SEC. 109. REPEALER.**

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

4 **TITLE II—UNEMPLOYMENT**  
5 **TRUST FUND ACCOUNTS**

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

7 (a) IN GENERAL.—Title IX of the Social Security Act  
8 (42 U.S.C. 1395 et seq.) is amended by adding at the end  
9 the following:

10 “STATE EMPLOYMENT SECURITY ADMINISTRATION  
11 ACCOUNTS

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

14 “(1) A State employment security administra-  
15 tion account for each State.

16 “(A) There is hereby appropriated to the  
17 Unemployment Trust Fund for credit to the  
18 employment security administration account for  
19 each State—

20 “(i) for the fiscal year ending Sep-  
21 tember 30, 2005, and for each fiscal year  
22 thereafter, an amount equal to 100 percent  
23 of the Federal unemployment tax, includ-  
24 ing interest, penalties and additions to the  
25 tax, received from collection of the tax and  
26 covered into the State’s account; and

1           “(ii) any amounts transferred to the  
2           account pursuant to this section and sec-  
3           tions 901, 902, and 903.

4           “(B) At the end of the month following  
5           January 1, 2004, and each month thereafter,  
6           the Secretary of the Treasury shall transfer 2  
7           percent of the amount collected and deposited  
8           that month into each State employment security  
9           administration account pursuant to subpara-  
10          graph (A)(i) to the supplemental employment  
11          security administration account established pur-  
12          suant to this section and section 904.

13          “(C) At the end of the month following  
14          January 1, 2004, and each month thereafter,  
15          the Secretary of the Treasury shall transfer 2  
16          percent of the amount collected and deposited  
17          that month into each State employment security  
18          administration account pursuant to subpara-  
19          graph (A)(i) to the Secretary of Labor employ-  
20          ment security administration account estab-  
21          lished pursuant to this section and section 904.

22          “(2)(A) A supplemental employment security  
23          administration account for the administration of em-  
24          ployment security programs in accordance with this  
25          title, title III, and section 3304 of the Internal Rev-

1        enue Code of 1986 by States whose average civilian  
2        labor force populations number less than 1,000,000.

3            “(B) There is hereby appropriated to the Un-  
4        employment Trust Fund for credit to the supple-  
5        mental employment security administration  
6        account—

7            “(i) for the fiscal year ending September  
8        30, 2005, and for each fiscal year thereafter, an  
9        amount equal to 100 percent of the amount  
10       transferred pursuant to paragraph (1)(B); and

11           “(ii) for fiscal years 2001 through 2004,  
12       amounts transferred to the account pursuant to  
13       subparagraphs (C) and (D) of section  
14       901(f)(3).

15           “(3)(A) The Secretary of Labor employment se-  
16       curity administration account for the Secretary of  
17       Labor in carrying out administrative duties as pre-  
18       scribed in this title, title III, and chapter 23 of the  
19       Internal Revenue Code of 1986.

20           “(B) There is hereby appropriated to the Un-  
21       employment Trust Fund for credit to the Secretary  
22       of Labor employment security administration ac-  
23       count, for the fiscal year ending September 30,  
24       2005, and for each fiscal year thereafter an amount



1 equal to 100 percent of the amount transferred pur-  
2 suant to paragraph (1)(C).

3 “USE OF SPECIAL ADMINISTRATIVE FUNDS

4 “Authorization of Funding for State Spending

5 “SEC. 912. (a) There are hereby authorized to be  
6 made available for expenditure out of the employment se-  
7 curity administration accounts maintained by the Sec-  
8 retary of the Treasury for each State for fiscal years 2001  
9 through 2004 such amounts as are requested by the  
10 States from their respective State employment security ad-  
11 ministration accounts, subject to appropriation by the leg-  
12 islative body of each State, to be used only for those pur-  
13 poses listed in section 901(f)(3)(C)(ii). Such amounts  
14 shall be available for State appropriation in addition to  
15 amounts otherwise appropriated by Congress.

16 “Authorization of Supplemental Spending for Small  
17 States Administration

18 “(b) There are hereby authorized to be made avail-  
19 able for expenditure by States whose average civilian labor  
20 force populations number less than 1,000,000, out of the  
21 supplemental employment security administration ac-  
22 count, \$5,000,000 for each of fiscal years 2001 through  
23 2004 only for those purposes listed in section  
24 901(f)(3)(C)(ii). Such amounts shall be available for State  
25 appropriation in addition to amounts otherwise appro-  
26 priated by Congress.”.

1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect on October 1, 2000.

3 **SEC. 202. REPEAL OF SUBSECTIONS (a) AND (b) OF SECTION**  
4 **901 OF THE SOCIAL SECURITY ACT.**

5 (a) IN GENERAL.—Subsections (a) and (b) of section  
6 901 of the Social Security Act (42 U.S.C. 1101) are re-  
7 pealed.

8 (b) EFFECTIVE DATE.—This section shall take effect  
9 on October 1, 2004.

10 **SEC. 203. EXPENDITURES FOR ADMINISTRATION.**

11 (a) IN GENERAL.—Section 901(c) of the Social Secu-  
12 rity Act (42 U.S.C. 1101(c)) is amended to read as fol-  
13 lows:

14 “Administrative Expenditures

15 “(c)(1) There are hereby authorized to be made avail-  
16 able for expenditure out of the employment security ad-  
17 ministration accounts maintained by the Secretary of the  
18 Treasury for the States, effective for the Federal fiscal  
19 year beginning October 1, 2004, and each fiscal year  
20 thereafter, such amounts as are requested by the States  
21 from their respective State employment security adminis-  
22 tration accounts, subject to appropriation by the legisla-  
23 tive body of each State (not in excess of 140 percent of  
24 the amount appropriated to the State agency from Federal  
25 employment security funds for the 12-month period end-

1 ing September 30 of the previous fiscal year), only for the  
2 purpose of—

3 “(A) assisting the State in the administration  
4 of its unemployment compensation laws as provided  
5 in title III (including administration pursuant to  
6 agreements under any Federal unemployment com-  
7 pensation law),

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

10 “(C) carrying into effect section 4103 of title  
11 38, United States Code,

12 “(D) collection of amounts due under chapter  
13 23 of the Internal Revenue Code of 1986, and

14 “(E) administration of statistical programs es-  
15 sential for development of estimates of the gross do-  
16 mestic product and other national statistical series,  
17 including those related to employment and unem-  
18 ployment.

19 Amounts requested by the State but not appropriated by  
20 the State legislative body for the fiscal year for which such  
21 amounts are requested shall be transferred to the State’s  
22 unemployment compensation benefit account as of the be-  
23 ginning of the following Federal fiscal year.

24 “(2) There are hereby authorized to be made avail-  
25 able for expenditure by States whose average civilian labor

1 force populations number less than 1,000,000, amounts  
2 out of the supplemental employment security administra-  
3 tion account for the fiscal year ending September 30,  
4 2005, and for each year thereafter. Such amounts shall  
5 be allocated to the States by the Council of States with  
6 Lesser Populations (established under paragraph (3)),  
7 subject to appropriation by the legislative body of each  
8 State, only for those purposes listed in section 901(c)(1).

9       “(3)(A) The Council of States with Lesser Popu-  
10 lations is hereby established for the purpose of deter-  
11 mining the methodology by which amounts available from  
12 the supplemental employment security administration ac-  
13 count are to be allocated. The council shall be composed  
14 of 1 representative appointed by the Governor of each  
15 State with an average civilian labor force which numbers  
16 less than 1,000,000 for the calendar year ending prior to  
17 the Federal fiscal year for which allocations are to be  
18 made. The council shall be reconstituted each year prior  
19 to the beginning of the ensuing Federal fiscal year.

20       “(B) The council shall determine amounts to be allo-  
21 cated to the States, except that no State’s allocation for  
22 any fiscal year, when added to the amount available pursu-  
23 ant to section 901(c)(1), shall be less than the amount  
24 appropriated to such State from the employment security  
25 administration account for fiscal year 1995, plus an ad-

1 justment for increased administrative costs incurred after  
2 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 all  
14 States as of the beginning of the following Federal fiscal  
15 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       “(4)(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 fiscal

1 year ending September 30, 2005, and for each fiscal year  
2 thereafter such amounts (not in excess of 140 percent of  
3 the amount appropriated by Congress for the Department  
4 of Labor from the employment security administration ac-  
5 count for the prior year) as Congress may deem appro-  
6 priate for the necessary expenses of the Department of  
7 Labor for the performance of its functions under—

8           “(i) this title and titles III and XII,

9           “(ii) chapter 23 of the Internal Revenue Code  
10       of 1986,

11           “(iii) chapter 41 (except section 4103) of title  
12       38, United States Code,

13           “(iv) Federal unemployment compensation laws  
14       effective as of October 1, 1999,

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

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

23           “(vii) payments of the Federal share of annual  
24       amortization costs of the unfunded liability for the  
25       State employment security agencies with inde-

1       pendent retirement plans as determined by the Sec-  
2       retary of Labor.

3       “(B) Amounts appropriated under this paragraph, if  
4       not obligated within the fiscal year for which appropriation  
5       was made, shall be transferred at the close of the fiscal  
6       year to the State employment security administration ac-  
7       counts. Each State’s share shall be provided as in section  
8       903(a)(2)(B).

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

18      “(5) The Secretary of the Treasury is directed, for  
19      the fiscal year ending September 30, 2005, and each fiscal  
20      year thereafter, to pay from the Secretary of Labor em-  
21      ployment security Administration Account into the treas-  
22      ury as miscellaneous receipts the amount determined by  
23      the Secretary of Labor to be allocated to the treasury de-  
24      partment to cover costs of the Department of the Treasury  
25      for the performance of its functions under—





1           “(i) 100 percent of the additional tax re-  
2           ceived under chapter 23 of the Internal Rev-  
3           enue Code of 1986 with respect to the State by  
4           reason of the reduced credits provisions of sec-  
5           tion 3302(c)(3) of such Code and covered into  
6           the Treasury for the repayment of advances  
7           made to the State under section 1201, exceeds

8           “(ii) the amount transferred to the account  
9           of such State pursuant to subparagraph (B) of  
10          this paragraph. Any amount transferred pursu-  
11          ant to this subparagraph shall be credited  
12          against, and shall operate to reduce, that bal-  
13          ance of advances, made under section 1201 to  
14          the State, with respect to which employers paid  
15          such additional tax; and

16          “(B) to the unemployment compensation benefit  
17          account (in the Unemployment Trust Fund) of the  
18          State with respect to which employers paid such ad-  
19          ditional tax, an amount equal to the amount by  
20          which such additional tax received and covered into  
21          the treasury exceeds that balance of advances, made  
22          under section 1201 to the State, with respect to  
23          which employers paid such additional tax.

24          “(2) Transfers under this subsection shall be as of  
25          the beginning of the month succeeding the month in which

1 the moneys were credited to the unemployment compensa-  
2 tion benefit account of the State.”.

3 (b) **EFFECTIVE DATE.**—The amendment made by  
4 subsection (a) shall take effect on October 1, 2000.

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

6 (a) **IN GENERAL.**—Section 901(e) of the Social Secu-  
7 rity Act (42 U.S.C. 1101(e)) is amended to read as fol-  
8 lows:

9 “Revolving Fund

10 “(e)(1) There is hereby established in the treasury  
11 a revolving fund within the Federal unemployment ac-  
12 count established pursuant to section 904 which shall be  
13 available to make the advances authorized by this sub-  
14 section. There are hereby authorized to be appropriated,  
15 without fiscal year limitation, to such revolving fund such  
16 amounts as may be necessary for the purposes of this sec-  
17 tion.

18 “(2) The Secretary of the Treasury is directed to ad-  
19 vance at the request of a State from the revolving fund  
20 to the State employment security administration account  
21 maintained for the State such amounts as may be re-  
22 quested for the purposes set forth in this title, title III,  
23 and section 3304 of the Internal Revenue Code of 1986.

24 “(3) Advances to the State employment security ad-  
25 ministration account of a State made under this sub-

1 section shall bear interest until repaid at a rate equal to  
2 the average rate of interest (computed as of the end of  
3 the calendar month next preceding the date of such ad-  
4 vance) borne by all interest-bearing obligations of the  
5 United States then forming a part of the public debt; ex-  
6 cept that where such average rate is not a multiple of  $\frac{1}{8}$   
7 of 1 percent, the rate of interest shall be the multiple of  
8  $\frac{1}{8}$  of 1 percent next lower than such average rate.

9       “(4) Advances to the State employment security ad-  
10 ministration account of a State made under this sub-  
11 section, plus interest accrued thereon, shall be repaid by  
12 the State, and may be repaid at the request of a State  
13 by the transfer, from the State employment security ad-  
14 ministration account of such State to the revolving fund.  
15 Any amount transferred as a repayment under this para-  
16 graph shall be credited against, and shall operate to re-  
17 duce, any balance of advances (plus accrued interest) re-  
18 payable under this subsection.”.

19       (b) EFFECTIVE DATE.—The amendment made by  
20 subsection (a) shall take effect on October 1, 2000.

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

22       Section 901 of the Social Security Act (42 U.S.C.  
23 1101 et seq.) is amended by adding at the end the fol-  
24 lowing:

1           “Treatment of Excess ESAA Amounts

2           “(f)(1) The Secretary of the Treasury shall determine  
3 as of the close of the fiscal year ending September 30,  
4 2002, and each fiscal year thereafter, the excess and the  
5 net balance of amounts in the State employment security  
6 administration account maintained for each State.

7           “(2) The excess in the State employment security ad-  
8 ministration account for each State as of the close of any  
9 fiscal year is the amount by which the net balance in such  
10 account as of such time (after the application of sections  
11 902 and 903 and paragraph (3)(B) of this subsection) ex-  
12 ceeds the net balance in the State employment security  
13 administration account for such State as of the close of  
14 the previous fiscal year.

15           “(3)(A) The excess in the State employment security  
16 administration account of each State determined as pro-  
17 vided in paragraph (2) as of the close of any fiscal year  
18 ending after September 30, 2006, not to exceed 140 per-  
19 cent of the net balance at the close of the previous fiscal  
20 year, shall be retained (as of the beginning of the suc-  
21 ceeding fiscal year) in the State employment security ad-  
22 ministration account for the State.

23           “(B) The amount of the excess determined not to be  
24 retained as provided in paragraph (3)(A) as of the close  
25 of any fiscal year ending after September 30, 2006, shall

1 be transferred (as of the beginning of the succeeding fiscal  
2 year) to the unemployment compensation benefit account  
3 of the State in the Unemployment Trust Fund.

4 “(C)(i) At the close of each of fiscal years 2001  
5 through 2004, there shall be transferred to the supple-  
6 mental employment security administration account, out  
7 of the employment security administration account,  
8 \$5,000,000 only for—

9 “(I) determining whether individuals claiming  
10 unemployment compensation under State laws con-  
11 forming to section 3304 of the Internal Revenue  
12 Code of 1986 are available to accept suitable work  
13 and have not refused suitable work as prescribed by  
14 the State unemployment compensation law;

15 “(II) job search and placement services to indi-  
16 viduals claiming unemployment compensation bene-  
17 fits and other job seekers including counseling, test-  
18 ing, occupational and labor market information, as-  
19 sessment, and referral to employers;

20 “(III) appropriate recruitment services and spe-  
21 cial technical services for employers; and

22 “(IV) collection of the Federal unemployment  
23 tax imposed pursuant to section 3301 of the Inter-  
24 nal Revenue Code of 1986.

1       “(ii) At the close of each of fiscal years 2001 through  
2 2004, there shall be transferred to the State employment  
3 security administration accounts, out of the employment  
4 security administration account, \$245,000,000 only for—

5               “(I) determining whether individuals claiming  
6 unemployment compensation under State laws con-  
7 forming to section 3304 of the Internal Revenue  
8 Code of 1986 are available to accept suitable work  
9 and have not refused suitable work as prescribed by  
10 the State unemployment compensation law;

11               “(II) job search and placement services to indi-  
12 viduals claiming unemployment compensation bene-  
13 fits and other job seekers including counseling, test-  
14 ing, occupational and labor market information, as-  
15 sessment, and referral to employers;

16               “(III) appropriate recruitment services and spe-  
17 cial technical services for employers; and

18               “(IV) collection of the Federal unemployment  
19 tax imposed pursuant to chapter 23 of the Internal  
20 Revenue Code of 1986.

21       “(iii) Each State’s share of the funds to be trans-  
22 ferred to the State employment security administration ac-  
23 counts shall be determined as provided in section  
24 903(a)(2)(B).

1       “(D) As of the close of the fiscal year ending Sep-  
2     tember 30, 2004, 96 percent of the amount in the employ-  
3     ment security administration account shall be transferred  
4     as of October 1, 2004, to the State employment security  
5     administration accounts of the States, 2 percent shall be  
6     transferred as of October 1, 2004, to the supplemental  
7     employment security administration account, and 2 per-  
8     cent shall be transferred as of October 1, 2004, to the  
9     Secretary of Labor employment security administration  
10    account. Each State’s share of the funds to be transferred  
11    to the State employment security administration accounts  
12    shall be determined as provided in section 903(a)(2)(B).

13       “(E) As of October 31, 2000, and the end of each  
14    month thereafter, 96 percent of the amount in the employ-  
15    ment security transition account shall be transferred to  
16    the State employment security administration accounts of  
17    the States, 2 percent shall be transferred to the supple-  
18    mental employment security administration account, and  
19    2 percent shall be transferred to the Secretary of Labor  
20    employment security administration account. Each State’s  
21    share of the funds to be transferred to the State employ-  
22    ment security administration accounts shall be determined  
23    as provided in section 903(a)(2)(B).

24       “(4) For the purposes of this section, the net balance  
25    in the employment security administration account and

1 the State employment security administration account  
2 maintained for each State as of any time is the amount  
3 in such account as of such time reduced by the sum of  
4 the balance of advances (plus interest accrued thereon)  
5 then repayable to the revolving fund established by sub-  
6 section (e) of this section. The net balance in the State  
7 employment security administration account maintained  
8 for each State as of the beginning of any fiscal year shall  
9 be determined after the disposition of the excess in such  
10 account as of the close of the preceding fiscal year.”.

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

12 (a) IN GENERAL.—Section 902 of the Social Security  
13 Act (42 U.S.C. 1102) is amended by striking subsections  
14 (a) and (b) and inserting the following:

15 “Treatment of Excess Amounts in the Federal  
16 Unemployment Account

17 “(a) The amount, if any, by which the amount in the  
18 Federal unemployment account as of the close of the fiscal  
19 year ending September 30, 2004, and any fiscal year  
20 thereafter exceeds the amount (determined by the Sec-  
21 retary of Labor) equal to 0.25 percent of the total wages  
22 subject (determined without limitation on amount) to con-  
23 tributions under all State unemployment compensation  
24 laws for the calendar year ending during the fiscal year  
25 for which the excess is determined shall be transferred to



1 the State employment security administration account of  
2 each State as of the beginning of the following fiscal year.

3 “State Allocation Formula

4 “(b) Each State’s share of the funds to be transferred  
5 under subsection (a) shall be determined as provided in  
6 section 903(a)(2)(B).”.

7 (b) EFFECTIVE DATE.—The amendments made by  
8 subsection (a) shall take effect on September 30, 2004.

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

10 Section 902(c) of the Social Security Act (42 U.S.C.  
11 1102(c)) is repealed.

12 **SEC. 209. TREATMENT OF EXTENDED UNEMPLOYMENT**  
13 **COMPENSATION ACCOUNT.**

14 (a) IN GENERAL.—Section 903(a) of the Social Secu-  
15 rity Act (42 U.S.C. 1103(a)) is amended to read as fol-  
16 lows:

17 “Transfer of Excess Amounts in Extended  
18 Unemployment Compensation Account

19 “(a)(1) As of the close of the fiscal year ending Sep-  
20 tember 30, 2004, and the close of each subsequent fiscal  
21 year, the excess in the extended unemployment compensa-  
22 tion account (as determined under section 905(b)) shall  
23 be transferred by the Secretary of the Treasury to the em-  
24 ployment security administration accounts of the States.

1       “(2) Each State’s share of the excess to be distrib-  
2       uted to the employment security administration accounts  
3       of the States at the close of a fiscal year pursuant to para-  
4       graph (1)—

5               “(A) shall be determined by the Secretary of  
6       Labor and certified by such Secretary to the Sec-  
7       retary of the Treasury before any transfer is made,  
8       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 calendar year.”.

18       (b) EFFECTIVE DATE.—The amendment made by  
19       subsection (a) shall take effect on September 30, 2004.

20       **SEC. 210. TREATMENT OF AMOUNTS ELECTED BY INELI-**  
21               **GIBLE STATES.**

22       (a) IN GENERAL.—Section 903(b) of the Social Secu-  
23       rity Act (42 U.S.C. 1103(b)) is amended to read as fol-  
24       lows:

1 “Treatment of Amounts Elected by Ineligible States

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

4 “(A) a State is not eligible for certification  
5 under section 303, or

6 “(B) the law of a State is not approvable under  
7 section 3304 of the Internal Revenue Code of 1986,  
8 then the amount available for transfer to such  
9 State’s unemployment compensation benefit account  
10 in the Unemployment Trust Fund shall, in lieu of  
11 being so transferred, be transferred to the Federal  
12 unemployment account as of the beginning of such  
13 October 1. If, during the fiscal year beginning on  
14 such October 1, the Secretary of Labor finds and  
15 certifies to the Secretary of the Treasury that such  
16 State is eligible for certification under section 303,  
17 and the law of such State is approvable under sec-  
18 tion 3304 of such Code, the Secretary of the Treas-  
19 ury shall transfer such amount from the Federal un-  
20 employment account to the unemployment com-  
21 pensation benefit account of such State in the Un-  
22 employment Trust Fund. If the Secretary of Labor  
23 does not so find and certify to the Secretary of the  
24 Treasury before the close of such fiscal year then  
25 the amount which was available for transfer to such

1 State's unemployment compensation benefit account  
2 as of October 1 of such fiscal year shall (as of the  
3 close of such fiscal year) become part of the Federal  
4 unemployment account.

5 “(2) The amount which, but for this paragraph,  
6 would be transferred to the unemployment compensation  
7 benefit account of a State under subsection (a) of this sec-  
8 tion or paragraph (1) of this subsection shall be reduced  
9 (but not below zero) by the balance of advances made to  
10 the State under section 1201. The sum by which such  
11 amount is reduced shall—

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

15 “(B) be credited against, and operate to  
16 reduce—

17 “(i) first, any balance of advances made  
18 before September 13, 1960, to the State under  
19 section 1201, and

20 “(ii) second, any balance of advances made  
21 on or after September 13, 1960, to the State  
22 under section 1201.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall take effect on October 1, 2000.

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

2 (a) IN GENERAL.—Section 903(c) of the Social Secu-  
3 rity Act (42 U.S.C. 1103(c)) is amended to read as fol-  
4 lows:

5 “Use of Reed Act Funds

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

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

18 “(A) the purposes and amounts were specified  
19 in the law making the appropriation,

20 “(B) the appropriation law did not authorize  
21 the obligation of such money after the close of the  
22 2-year period which began on the date of enactment  
23 of the appropriation law,

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

1           “(D)(i) the appropriation law limits the total  
2 amount which may be obligated under such appro-  
3 priation at any time to an amount which does not  
4 exceed, at any such time, the amount by which—

5           “(I) the aggregate of the amounts trans-  
6 ferred to the unemployment compensation ben-  
7 efit account of such State pursuant to sub-  
8 sections (a) and (b), exceeds

9           “(II) the aggregate of the amounts used by  
10 the State pursuant to this subsection and  
11 charged against the amounts transferred to the  
12 unemployment compensation benefit account of  
13 such State, and

14           “(ii) for purposes of clause (i), amounts used by  
15 a State for administration shall be chargeable  
16 against transferred amounts at the exact time the  
17 obligation is entered into, and

18           “(E) the use of the money shall be accounted  
19 for in accordance with standards established by each  
20 State. Proceeds from the sale or transfer of real  
21 property and other capital assets which were origi-  
22 nally purchased with Federal funds provided under  
23 this title or title III, may be used by a State agency  
24 administering State law in accordance with such ti-  
25 tles and section 3304 of the Internal Revenue Code

1 of 1986 to purchase or otherwise acquire real prop-  
2 erty or other capital assets for a period of 2 years  
3 after the date of sale or transfer. Proceeds from the  
4 sale or transfer of real property remaining after  
5 such 2-year period shall be deposited in the State's  
6 employment security administration account estab-  
7 lished pursuant to section 904.

8 “(3)(A) If—

9 “(i) amounts transferred to the unemployment  
10 compensation benefit account of a State pursuant to  
11 subsections (a) and (b) of this section were used in  
12 payment of unemployment benefits to individuals;  
13 and

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

23 “(B) Subparagraph (A) shall apply only to the extent  
24 that the amounts described in clause (i) of such subpara-

1 graph do not exceed the amount then in the State's unem-  
2 ployment compensation benefit account.

3 “(C) Subparagraph (A) shall not apply if the State  
4 has a balance of advances made to its unemployment com-  
5 pensation benefit account under title XII.

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

14 (b) EFFECTIVE DATE.—The amendment made by  
15 subsection (a) shall take effect on October 1, 2000.

16 **SEC. 212. PROVISIONS RELATING TO ESTABLISHMENT OF**  
17 **UNEMPLOYMENT TRUST FUND.**

18 (a) IN GENERAL.—Section 904(a) of the Social Secu-  
19 rity Act (42 U.S.C. 1104(a)) is amended to read as fol-  
20 lows:

21 “Establishment, Etc.

22 “(a) There is hereby established in the Treasury of  
23 the United States a trust fund to be known as the Unem-  
24 ployment Trust Fund (in this subchapter referred to as  
25 the ‘Fund’). The Secretary of the Treasury is authorized



1 and directed to receive and hold in the Fund all moneys  
2 deposited therein by a State agency from a State unem-  
3 ployment fund. All moneys in the form of contributions  
4 and payments in lieu of contributions under the State law  
5 shall be deposited into the State's unemployment com-  
6 pensation benefit account established pursuant to this sec-  
7 tion. All moneys collected by a State agency under chapter  
8 23 of the Internal Revenue Code of 1986 and moneys  
9 transferred or deposited under other sections of this title  
10 or chapter 23 of the Internal Revenue Code of 1986 shall  
11 be deposited into the State's employment security adminis-  
12 tration account. All moneys collected by the Internal Rev-  
13 enue Service after January 1, 2001, under the provisions  
14 of chapter 23 of the Internal Revenue Code of 1986 shall  
15 be deposited into the employment security transition ac-  
16 count of the Fund. Moneys collected by the Railroad Re-  
17 tirement Board shall be deposited to the credit of the rail-  
18 road unemployment insurance account or the railroad un-  
19 employment insurance administration fund.”.

20 (b) EFFECTIVE DATE.—The amendment made by  
21 subsection (a) shall take effect on October 1, 2000.

22 **SEC. 213. SEPARATE BOOK ACCOUNTS.**

23 (a) IN GENERAL.—Section 904(e) of the Social Secu-  
24 rity Act (42 U.S.C. 1104(e)) is amended to read as fol-  
25 lows:

## 1 “Separate Book Accounts

2 “(e) The Fund shall be invested as a single fund, but  
3 the Secretary of the Treasury shall maintain a separate  
4 book account for the employment security transition ac-  
5 count, each State agency unemployment compensation  
6 benefit account, the employment security administration  
7 account until terminated on September 30, 2004, the em-  
8 ployment security administration account for each State,  
9 the supplemental employment security administration ac-  
10 count, the Secretary of Labor employment security admin-  
11 istration account, the Federal unemployment account, the  
12 extended unemployment compensation account, the rail-  
13 road unemployment insurance account, and the railroad  
14 unemployment insurance administration fund and shall  
15 credit quarterly (on March 31, June 30, September 30,  
16 and December 31, of each year) to each account, on the  
17 basis of the average daily balance of such account, a pro-  
18 portionate part of the earnings of the Fund for the quarter  
19 ending on such date. For the purpose of this subsection,  
20 the average daily balance shall be computed—

21 “(1) in the case of any State unemployment  
22 compensation benefit account, by reducing (but not  
23 below zero) the amount in the account by the bal-  
24 ance of advances made to the State under section  
25 1201, and



1           “(A) \$14,400,000,000; or

2           “(B) an amount equal to 0.25 percent of the  
3 total wages subject (determined without limitation  
4 on amount) to contributions under all State unem-  
5 ployment compensation laws for the calendar year  
6 ending during the fiscal year for which the excess is  
7 determined.

8           “(3) The excess determined under paragraph (2)  
9 shall be transferred by the Secretary of the Treasury at  
10 the close of the fiscal year ending September 30, 2004,  
11 and at the close of each subsequent fiscal year, to the em-  
12 ployment security administration accounts of the States  
13 in the Unemployment Trust Fund as of the beginning of  
14 the following fiscal year. Each State’s share shall be deter-  
15 mined using the formula set forth in section 903(a)(2)(B).

16                           “Transfers to State Accounts

17           “(c) Amounts in the extended unemployment com-  
18 pensation account shall be available for transfer to the un-  
19 employment compensation benefit accounts of the States  
20 in the Unemployment Trust Fund as provided in section  
21 204(e) of the Federal-State Extended Unemployment  
22 Compensation Act of 1970.”.

23           (b) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall take effect on October 1, 2000.

1 **SEC. 215. REPEAL OF INTERFUND BORROWING AUTHORITY.**

2 Section 910 of the Social Security Act (42 U.S.C.  
3 1110) is repealed.

4 **TITLE III—GRANTS TO STATES**  
5 **FOR EMPLOYMENT SECURITY**  
6 **ADMINISTRATION**

7 **SEC. 301. REPEAL OF SECTIONS 301 AND 302 OF THE SOCIAL**  
8 **SECURITY ACT.**

9 (a) **IN GENERAL.**—Sections 301 and 302 of the So-  
10 cial Security Act (42 U.S.C. 501; 502) are repealed.

11 (b) **EFFECTIVE DATE.**—This section shall take effect  
12 on October 1, 2004.

13 **SEC. 302. STATE REQUIREMENTS.**

14 (a) **CONFORMITY REQUIREMENTS.**—Section 303(a)  
15 of the Social Security Act (42 U.S.C. 503(a)) is amended  
16 by striking “The Secretary” through “for—” and insert-  
17 ing the following: “As of October 31 each year, at the time  
18 of the certification prescribed under section 3304(c) of the  
19 Internal Revenue Code of 1986, the Secretary of Labor  
20 shall certify whether each State’s law includes provision  
21 for—”.

22 (b) **LIMITATION ON USE OF BENEFIT ACCOUNT**  
23 **FUNDS.**—Section 303(a)(5) of the Social Security Act (42  
24 U.S.C. 503(a)(5)) is amended to read as follows:

25 “(5) Expenditure of all money withdrawn from  
26 the State’s Unemployment Compensation Benefit

1 Account within the unemployment fund of such  
2 State, in the payment of unemployment compensa-  
3 tion, exclusive of expenses of administration, and for  
4 refunds of sums erroneously paid into such fund and  
5 refunds paid in accordance with the provisions of  
6 section 3305(b) of the Internal Revenue Code of  
7 1986: *Provided*, That an amount equal to the  
8 amount of employee payments into the Unemploy-  
9 ment Compensation Benefit Account within the un-  
10 employment fund of a State may be used in the pay-  
11 ment of cash benefits to individuals with respect to  
12 their disability, exclusive of expenses of administra-  
13 tion: *Provided further*, That the amounts specified  
14 by section 903(c)(2) may, subject to the conditions  
15 prescribed in such section, be used for expenses in-  
16 curred by the State for administration of its unem-  
17 ployment compensation law and public employment  
18 services: *Provided further*, That nothing in this para-  
19 graph shall be construed to prohibit deducting an  
20 amount from unemployment benefits and used to  
21 repay overpayments as provided in subsection (g) of  
22 this section: *Provided further*, That amounts may be  
23 withdrawn for the payment of short-time compensa-  
24 tion under a plan approved by the Secretary of  
25 Labor: *Provided further*, That amounts may be with-

1 drawn for the payment of allowances under a self-  
2 employment assistance program (as defined in sec-  
3 tion 3306(t) of the Internal Revenue Code of 1986);  
4 and”.

5 (c) USE OF ADMINISTRATIVE FUNDS.—Section  
6 303(a)(8) of the Social Security Act (42 U.S.C. 503(a)(8))  
7 is amended to read as follows:

8 “(8) Expenditure of all moneys received pursu-  
9 ant to title IX solely for the proper and efficient ad-  
10 ministration of such State law and services specified  
11 in such title and section 3304 of the Internal Rev-  
12 enue Code of 1986; and”.

13 (d) PROPER ADMINISTRATION REQUIREMENT.—Sec-  
14 tion 303(a)(9) of the Social Security Act (42 U.S.C.  
15 503(a)(9)) is amended to read as follows:

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

24 (e) EFFECTIVE DATE.—The amendments made by  
25 this section shall take effect on October 1, 2004.

1 **SEC. 303. INTERPRETATION OF METHODS OF ADMINISTRA-**  
2 **TION REQUIREMENT.**

3 (a) IN GENERAL.—Section 303(a) of the Social Secu-  
4 rity Act (42 U.S.C. 503(a)) (as amended by section 302  
5 of this Act) is amended—

6 (1) by striking the period at the end of para-  
7 graph (10) and inserting “; and”; and

8 (2) by adding at the end the following:

9 “(11) States shall not be required to comply  
10 with interpretations of the Secretary of Labor with  
11 respect to methods of administration requirements  
12 under paragraph (1) of this subsection, including  
13 but not limited to requirements with respect to qual-  
14 ity control, if such interpretations impose additional  
15 administrative burdens on the States, unless Con-  
16 gress enacts legislation which approves such inter-  
17 pretation.”

18 (b) EFFECTIVE DATE.—The amendments made by  
19 subsection (a) shall take effect on October 1, 2000.

20 **TITLE IV—EXTENDED UNEM-**  
21 **PLOYMENT COMPENSATION**

22 **SEC. 401. EXTENDED UNEMPLOYMENT COMPENSATION.**

23 (a) IN GENERAL.—Section 202(a) of the Federal-  
24 State Extended Unemployment Compensation Act of 1970  
25 (26 U.S.C. 3304 note) is amended—

26 (1) by striking paragraphs (3), (4), and (7);



1           (2) by redesignating paragraphs (5) and (6) as  
2 paragraphs (3) and (4), respectively; and

3           (3) in paragraph (4) (as redesignated by para-  
4 graph (2)), by striking “paragraphs (3), (4), and  
5 (5)” and inserting “paragraph (3)”.

6           (b) CONFORMING AMENDMENTS.—Section 204 of the  
7 Federal-State Extended Unemployment Compensation Act  
8 of 1970 (26 U.S.C. 3304 note) is amended—

9           (1) in subsection (a)—

10           (A) in paragraph (1), in the matter pre-  
11 ceding subparagraph (A), by inserting “the un-  
12 employment compensation benefit account of”  
13 after “be paid to”;

14           (B) in paragraph (2), by inserting “unem-  
15 ployment compensation account of a” after  
16 “made to any”; and

17           (C) in paragraph (3), by inserting “unem-  
18 ployment compensation benefit account of a”  
19 after “subsection to any”;

20           (2) in subsection (d), by inserting “the unem-  
21 ployment compensation benefit account of” after “be  
22 paid to”;

23           (3) in subsection (e)—

1 (A) by inserting “the unemployment com-  
2 pensation benefit account of” after “Treasury  
3 for payment to”;

4 (B) by inserting “unemployment com-  
5 pensation benefit” after “extended unemploy-  
6 ment compensation account to the”; and

7 (C) by adding at the end “Amounts main-  
8 tained within the extended unemployment com-  
9 pensation account shall be used only as set  
10 forth in this Act and may not be transferred or  
11 used to provide funds for benefits, goods, or  
12 services other than those prescribed in this  
13 Act.”.

14 (c) EFFECTIVE DATE.—The amendments made by  
15 this section shall take effect on October 1, 2000.

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

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

19 (a) IN GENERAL.—Section 1 of the Wagner-Peyser  
20 Act (29 U.S.C. 49) is amended 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 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall take effect on October 1, 2000.

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

4 (a) IN GENERAL.—Section 3(a) of the Wagner-  
5 Peyser Act (29 U.S.C. 49b(a)) is amended to read as fol-  
6 lows:

7 “(a) The Secretary shall assist in coordinating public  
8 employment services throughout the country and assure  
9 that the requirements of titles III and IX of the Social  
10 Security Act and section 3304 of the Internal Revenue  
11 Code of 1986 are met.”.

12 (b) EFFECTIVE DATE.—The amendment made by  
13 subsection (a) shall take effect on October 1, 2000.

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

15 (a) IN GENERAL.—For the purpose of assisting in  
16 the coordination of employment services in accordance  
17 with the terms of the Wagner-Peyser Act (29 U.S.C. 49  
18 et seq.), the Secretary of Labor is authorized without pay-  
19 ment of compensation to transfer and assign to the States  
20 in which it is located all property, including records, files,  
21 and office equipment, used by the United States Employ-  
22 ment Service in its administrative and local employment  
23 offices in the respective States, except the records, files,  
24 and property used in the Veterans Service and in the

1 Farm Placement Service maintained pursuant to such  
2 Act.

3 (b) REPEAL.—The Act entitled “To provide for the  
4 transfer of United States Employment Service records,  
5 files, and property in local offices to the States”, approved  
6 August 11, 1939 (29 U.S.C. 49c(1)) is repealed.

7 (c) EFFECTIVE DATE.—This section shall take effect  
8 on October 1, 2000.

9 **SEC. 504. REPEAL OF FEDERAL APPROPRIATIONS AUTHOR-**  
10 **ITY.**

11 (a) IN GENERAL.—Sections 5 and 6 of the Wagner-  
12 Peyser Act (29 U.S.C. 49d; 49e) are repealed.

13 (b) EFFECTIVE DATE.—This section shall take effect  
14 on October 1, 2004.

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

16 (a) IN GENERAL.—Section 7(a) of the Wagner-  
17 Peyser Act (29 U.S.C. 49f) is amended to read as follows:

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

21 “(1) for determining whether individuals claim-  
22 ing unemployment compensation under State laws  
23 conforming to section 3304 of the Internal Revenue  
24 Code of 1986 are available to accept suitable work

1 and have not refused suitable work as prescribed by  
2 the State unemployment compensation law;

3 “(2) 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 “(3) for appropriate recruitment services and  
9 special technical services for employers, and may be  
10 used for—

11 “(A) evaluation of programs;

12 “(B) developing linkages between services  
13 funded under this Act and related Federal or  
14 State legislation, including the provision of  
15 labor exchange services at education sites;

16 “(C) providing services for workers who  
17 have received notice of permanent layoff or im-  
18 pending layoff, or workers in occupations which  
19 are experiencing limited demand due to techno-  
20 logical change, impact of imports, or plant clo-  
21 sures;

22 “(D) developing and providing labor mar-  
23 ket and occupational information; and

1           “(E) developing a management informa-  
2           tion system and compiling and analyzing re-  
3           ports therefrom.”.

4           (b) EFFECTIVE DATE.—The amendment made by  
5 subsection (a) shall take effect on October 1, 2004.

6 **SEC. 506. REPEAL OF FEDERAL USE OF FUNDS REQUIRE-**  
7 **MENTS.**

8           (a) IN GENERAL.—Section 7 of the Wagner-Peyser  
9 Act (29 U.S.C. 49f) (as amended by section 305 of the  
10 Workforce Investment Act of 1998) is amended—

11           (1) by striking subsections (b), (c), and (d); and

12           (2) by redesignating subsection (e) as sub-  
13 section (b).

14           (b) EFFECTIVE DATE.—This section shall take effect  
15 on October 1, 2004.

16 **SEC. 507. REPEAL OF FEDERAL PLANNING AND FISCAL RE-**  
17 **QUIREMENTS.**

18           (a) IN GENERAL.—Sections 8, 9, 12, 13, and 14 of  
19 the Wagner-Peyser Act (29 U.S.C. 49g; 49h; 49k; 49l;  
20 49l–1) (as amended by the Workforce Investment Act of  
21 1998) are repealed.

22           (b) EFFECTIVE DATE.—This section shall take effect  
23 on October 1, 2004.

1 **TITLE VI—ADVANCES TO STATE**  
2 **UNEMPLOYMENT COMPENSA-**  
3 **TION BENEFIT ACCOUNTS**

4 **SEC. 601. TRANSFERS FROM THE FEDERAL UNEMPLOY-**  
5 **MENT ACCOUNT.**

6 (a) IN GENERAL.—Section 1201(b) of the Social Se-  
7 curity Act (42 U.S.C. 1321(b)) is amended to read as fol-  
8 lows:

9 “(b) The Secretary of the Treasury shall, prior to  
10 audit or settlement by the General Accounting Office,  
11 transfer in monthly installments from the Federal unem-  
12 ployment account to the unemployment compensation ben-  
13 efit account of the State in the Unemployment Trust  
14 Fund the amount certified under subsection (a) of this  
15 section by the Secretary of Labor (but not exceeding that  
16 portion of the balance in the Federal unemployment ac-  
17 count at the time of the transfer which is not restricted  
18 as to use pursuant to section 903). The amount of any  
19 monthly installment so transferred shall not exceed the  
20 amount estimated by the State to be required for the pay-  
21 ment of compensation for the month with respect to which  
22 such installment is made.”.

23 (b) EFFECTIVE DATE.—The amendment made by  
24 subsection (a) shall take effect on October 1, 2000.

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

2 (a) IN GENERAL.—Section 1202(a) of the Social Se-  
3 curity Act (42 U.S.C. 1322(a)) is amended to read as fol-  
4 lows:

5 “(a) The Governor of any State may at any time re-  
6 quest that funds be transferred from the unemployment  
7 compensation benefit account of such State in the Unem-  
8 ployment Trust Fund to the Federal unemployment ac-  
9 count in repayment of part or all of that balance of ad-  
10 vances, made to such State under section 1201, specified  
11 in the request, and the Secretary of the Treasury shall  
12 promptly transfer such amount in reduction of such bal-  
13 ance.”.

14 (b) EFFECTIVE DATE.—The amendment made by  
15 subsection (a) shall take effect on October 1, 2000.

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

17 (a) IN GENERAL.—Section 1202(b) of the Social Se-  
18 curity Act (42 U.S.C. 1322(b)) is amended by striking  
19 paragraphs (4) 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 to State unemployment compensa-  
26 tion benefit accounts on the last day of the last



1           calendar quarter of the immediately preceding  
2           calendar year, by

3                   “(B) the aggregate of the average daily  
4           balances of the State unemployment compensa-  
5           tion benefit accounts for such quarter as deter-  
6           mined under section 904(e).

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

20          (b) EFFECTIVE DATE.—The amendment made by  
21          subsection (a) shall take effect on October 1, 2000.

○