

105TH CONGRESS
2D SESSION

S. 2556

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.

IN THE SENATE OF THE UNITED STATES

OCTOBER 6 (legislative day, OCTOBER 2), 1998

Mr. DEWINE introduced the following bill; which was read twice and referred to the Committee on Finance

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,*

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; and

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.—The amendments made by
 2 this section shall take effect 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—

7 (1) by striking “and” at the end of paragraph
 8 (18);

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

11 (3) by adding after paragraph (19) the follow-
 12 ing:

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

16 “(A) for determining whether individuals
 17 claiming unemployment compensation under
 18 State laws conforming to this section are avail-
 19 able to accept suitable work and have not re-
 20 fused suitable work as prescribed by the State
 21 unemployment compensation law;

22 “(B) for job search and placement services
 23 to individuals claiming unemployment com-
 24 pensation benefits and other job seekers includ-
 25 ing counseling, testing, occupational and labor

1 market information, assessment, and referral to
2 employers; and

3 “(C) for appropriate recruitment services
4 and special technical services for employers;

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

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

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

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

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

24 “(22) the State agency responsible for adminis-
25 tration of the State unemployment compensation law

1 shall, effective for calendar year 2000 and each cal-
 2 endar year thereafter, collect the Federal unemploy-
 3 ment tax imposed pursuant to section 3301 as the
 4 agent of the Secretary of the Treasury.”

5 (b) EFFECTIVE DATE.—The amendments made by
 6 subsection (a) shall take effect on January 1, 2000.

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

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

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

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

4 “(3) with respect to which any judicial review
5 is pending.

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

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

17 (a) IN GENERAL.—Subsection (f) of section 3306 of
18 the Internal Revenue Code of 1986 is amended to read
19 as follows:

20 “(f) For purposes of this chapter, the term ‘unem-
21 ployment fund’ means a special fund, established under
22 a State law and administered by a State agency, for the
23 payment of compensation. Any sums standing to the un-
24 employment benefit accounts of the State agency in the
25 Unemployment Trust Fund established by section 904 of

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

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

22 “(2) the amounts specified by section 903(c)(2)
23 of the Social Security Act may, subject to the condi-
24 tions prescribed in such section, be used for ex-
25 penses incurred by the State for administration of

1 its unemployment compensation law, and public em-
2 ployment services;

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

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

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

23 “(6) amounts may be withdrawn from the
24 State’s unemployment compensation benefit account
25 within the unemployment trust fund for the payment

1 of allowances under a self-employment assistance
 2 program (as defined in subsection (t)).”

3 (b) EFFECTIVE DATE.—The amendment made by
 4 subsection (a) shall take effect on October 1, 1999.

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

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

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

21 (b) EFFECTIVE DATE.—The amendment made by
 22 subsection (a) shall take effect on October 1, 1999.

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

2 (a) IN GENERAL.—Subsection (a) of section 3501 of
3 the Internal Revenue Code of 1986 is amended to read
4 as follows:

5 “(a) GENERAL RULE.—(1) The taxes imposed by this
6 subtitle shall be collected by the Secretary and shall be
7 paid into the Treasury of the United States as internal-
8 revenue collections, except that effective for calendar year
9 2000 and calendar years thereafter the tax imposed by
10 section 3301 shall be collected by the State agencies re-
11 sponsible for administration of the State unemployment
12 law as agents for the Secretary. Amounts collected by each
13 State agency shall be paid into the treasury to the credit
14 of the State employment security administration account
15 of the State as prescribed in section 3301 and titles III
16 and IX of the Social Security Act. Amounts collected by
17 the Internal Revenue Service after January 1, 2000, with
18 respect to the tax imposed by section 3301 shall be paid
19 into the Treasury of the United States to the credit of
20 the employment security transition account within the un-
21 employment trust fund established pursuant to section
22 904 of the Social Security Act.

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

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall take effect on October 1, 1999.

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

4 (a) IN GENERAL.—The last sentence of section
 5 6157(a) of the Internal Revenue Code of 1986 is amended
 6 to read as follows: “The tax for any calendar quarter or
 7 other period shall be computed as provided in subsection
 8 (b) and the tax as so computed shall, except as otherwise
 9 provided in subsection (c), be paid, effective for calendar
 10 year 2000 and calendar years thereafter, to the State
 11 agency responsible for administration of the State unem-
 12 ployment compensation law as the agent of the Secretary.
 13 Such taxes shall be paid quarterly.”

14 (b) EFFECTIVE DATE.—The amendment made by
 15 subsection (a) shall take effect on October 1, 1999.

16 **SEC. 109. REPEALER.**

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

19 **TITLE II—UNEMPLOYMENT**
 20 **TRUST FUND ACCOUNTS**

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

22 (a) IN GENERAL.—Title IX of the Social Security Act
 23 (42 U.S.C. 1395 et seq.) is amended by adding at the end
 24 the following:

5 “(1) A State Employment Security Administra-
6 tion Account for each State.

“(i) for the fiscal year ending September 30, 2004, and for each fiscal year thereafter, an amount equal to 100 percent of the Federal unemployment tax, including interest, penalties and additions to the tax, received from collection of the tax and covered into the State’s account; and

“(B) Two percent of the amount collected and deposited into each State employment security administration account pursuant to subparagraph (A)(i) shall be transferred by the Treasury of the United States beginning the

1 end of the month following January 1, 2003,
2 and each month thereafter to the supplemental
3 employment security administration account es-
4 tablished pursuant to this section and section
5 904.

6 “(C) Two percent of the amount collected
7 and deposited into each State employment secu-
8 rity administration account pursuant to sub-
9 paragraph (A)(i) shall be transferred by the
10 treasury beginning the end of the month follow-
11 ing January 1, 2003, and each month there-
12 after to the Secretary of Labor employment se-
13 curity administration account established pur-
14 suant to this section and section 904.

15 “(2)(A) A Supplemental Employment Security
16 Administration Account for the administration of
17 employment security programs in accord with this
18 title, title III, and section 3304 of the Internal Reve-
19 nue Code of 1986 by States whose average civilian
20 labor force populations number less than 1,000,000.

21 “(B) There is hereby appropriated to the unem-
22 ployment trust fund for credit to the supplemental
23 employment security administration account, for the
24 fiscal year ending September 30, 2004, and for each
25 fiscal year thereafter—

1 “(i) an amount equal to 100 percent of the
2 amount transferred pursuant to paragraph
3 (1)(B); and

4 “(ii) amounts transferred to the account
5 pursuant to subparagraphs (C) and (D) of sec-
6 tion 901(f)(3) and sections 902 and 903.

7 “(3)(A) The Secretary of Labor Employment
8 Security Administration Account for the Secretary
9 of Labor in carrying out administrative duties as
10 prescribed in this title, title III, and chapter 23 of
11 the Internal Revenue Code of 1986.

12 “(B) There is hereby appropriated to the Un-
13 employment Trust Fund for credit to the Secretary
14 of Labor Employment Security Administration Ac-
15 count, for the fiscal year ending September 30,
16 2004, and for each fiscal year thereafter an amount
17 equal to 100 percent of the amount transferred pur-
18 suant to paragraph (1)(C).

19 “USE OF SPECIAL ADMINISTRATIVE FUNDS

20 “SEC. 912. There are hereby authorized to be made
21 available for expenditure out of the employment security
22 administration accounts maintained by the Treasury for
23 each State for fiscal years 2000 through 2003 such
24 amounts, not to exceed \$245,000,000 for each year, as
25 are requested by the States from their respective State
26 employment security administration accounts, subject to

1 appropriation by the legislative body of each State to be
 2 used for—

3 “(1) determining whether individuals claiming
 4 unemployment compensation under State laws con-
 5 forming to section 3304 are available to accept suit-
 6 able work and have not refused suitable work as pre-
 7 scribed by the State unemployment law;

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

13 “(3) appropriate recruitment services and spe-
 14 cial technical services for employers; and

15 “(4) collection of the Federal Unemployment
 16 Tax imposed pursuant to chapter 23 of the Internal
 17 Revenue Code of 1986.

18 Such amounts shall be available for State appropriation
 19 in addition to amounts otherwise appropriated by Con-
 20 gress.”.

21 (b) EFFECTIVE DATE.—The amendment made by
 22 subsection (a) shall take effect on October 1, 1999.

1 **SEC. 202. REPEAL OF SUBSECTIONS (a) AND (b) OF SECTION**
 2 **901 OF THE SOCIAL SECURITY ACT.**

3 (a) IN GENERAL.—Subsections (a) and (b) of section
 4 901 of the Social Security Act (42 U.S.C. 1101) are re-
 5 pealed.

6 (b) EFFECTIVE DATE.—This section shall take effect
 7 on October 1, 2003.

8 **SEC. 203. EXPENDITURES FOR ADMINISTRATION.**

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

12 “Administrative Expenditures

13 “(c)(1) There are hereby authorized to be made avail-
 14 able for expenditure out of the employment security ad-
 15 ministration accounts maintained by the treasury for the
 16 States, effective for the Federal fiscal year beginning Oc-
 17 tober 1, 2003, and each fiscal year thereafter, such
 18 amounts as are requested by the States from their respec-
 19 tive State employment security administration accounts,
 20 subject to appropriation by the legislative body of each
 21 State (not in excess of 140 percent of the amount appro-
 22 priated to the State agency from Federal employment se-
 23 curity funds for the 12-month period ending September
 24 30 of the previous year), for the purpose of—

25 “(A) assisting the State in the administration
 26 of its unemployment compensation laws as provided

1 in title III (including administration pursuant to
2 agreements under any Federal unemployment com-
3 pensation law),

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

6 “(C) carrying into effect section 4103 of title
7 38, United States Code,

8 “(D) collection of amounts due under chapter
9 23 of the Internal Revenue Code of 1986, and

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

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

20 “(2) There are hereby authorized to be made avail-
21 able for expenditure by States whose average civilian labor
22 force populations number less than 1,000,000, amounts
23 out of the supplemental employment security administra-
24 tion account, \$5,000,000 for each of fiscal years 2000
25 through 2003—

1 “(A) for determining whether individuals claim-
2 ing unemployment compensation under State laws
3 conforming to section 3304 of the Internal Revenue
4 Code of 1986 are available to accept suitable work
5 and have not refused suitable work as prescribed by
6 the State unemployment compensation law;

7 “(B) for job search and placement services to
8 individuals claiming unemployment compensation
9 benefits and other job seekers including counseling,
10 testing, occupational and labor market information,
11 assessment, and referral to employers; and

12 “(C) for appropriate recruitment services and
13 special technical services for employers.

14 Such amounts shall be available for State appropriation
15 in addition to amounts otherwise appropriated by Con-
16 gress.

17 “(3) There are hereby authorized to be made avail-
18 able for expenditure by States whose average civilian labor
19 force populations number less than 1,000,000, amounts
20 out of the supplemental employment security administra-
21 tion account for the fiscal year ending September 30,
22 2004, and for each year thereafter. Such amounts shall
23 be allocated to the States by the Council of States with
24 Lesser Populations (established under paragraph (4)),

1 subject to appropriation by the legislative body of each
2 State for the purpose of—

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

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

7 “(C) administration of section 4103 of title 38,
8 United States Code;

9 “(D) collection of amounts due under chapter
10 23 of the Internal Revenue Code of 1986; and

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

16 “(4)(A) The Council of States with Lesser Popu-
17 lations is hereby established for the purpose of determin-
18 ing the methodology by which amounts available from the
19 Supplemental Employment Security Administration Ac-
20 count are to be allocated. The council shall be composed
21 of 1 representative appointed by the governor of each
22 State with an average civilian labor force which numbers
23 less than 1,000,000 for the calendar year ending prior to
24 the Federal fiscal year for which allocations are to be

1 made. The council shall be reconstituted each year prior
2 to the beginning of the ensuing Federal fiscal year.

3 “(B) The council shall determine amounts to be allo-
4 cated to the States, except that no State’s allocation for
5 any fiscal year, when added to the amount available pursu-
6 ant to section 901(b)(1), shall be less than the amount
7 appropriated to such State from the employment security
8 administration account for fiscal year 1995.

9 “(C) The council shall notify the Secretary of the
10 Treasury prior to each fiscal year of the amounts to be
11 allocated to each State. If the council fails to determine
12 amounts to be allocated for a fiscal year, such amounts
13 shall be carried over and maintained in the Supplemental
14 Employment Security Administration Account and may be
15 allocated by the council for following Federal fiscal years.

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

1 Secretary of Labor to be attributable to the State, bears
 2 to the total amount of wages subject to such tax during
 3 such year.

4 “(5)(A) There are hereby authorized to be made
 5 available for expenditure out of the Secretary of Labor
 6 Employment Security Administration Account for the fis-
 7 cal year ending September 30, 2004, and for each fiscal
 8 year thereafter such amounts (not in excess of 140 percent
 9 of the amount appropriated by Congress for the Depart-
 10 ment of Labor from the Employment Security Administra-
 11 tion Account for the prior year) as Congress may deem
 12 appropriate for the necessary expenses of the Department
 13 of Labor for the performance of its functions under—

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

15 “(ii) chapter 23 of the Internal Revenue Code
 16 of 1986,

17 “(iii) chapter 41 (except section 4103) of title
 18 38, United States Code,

19 “(iv) Federal unemployment compensation laws
 20 effective as of October 1, 1998,

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

1 “(vi) establishment and maintenance of the em-
2 ployment security system in accordance with the
3 Wagner-Peyser Act, and

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

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

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

1 “(6) The Secretary of the Treasury is directed, for
 2 the fiscal year ending September 30, 2004, and each fiscal
 3 year thereafter, to pay from the Secretary of Labor Em-
 4 ployment Security Administration Account into the treas-
 5 ury as miscellaneous receipts the amount determined by
 6 the Secretary of Labor to be allocated to the treasury de-
 7 partment to cover costs of the Department of the Treasury
 8 for the performance of its functions under—

9 “(A) this title and titles III and XII, including
 10 the expenses of banks for servicing unemployment
 11 benefit payment and clearing accounts which are off-
 12 set by the maintenance of balances of treasury funds
 13 with such banks,

14 “(B) chapter 23 of the Internal Revenue Code
 15 of 1986, and

16 “(C) any Federal unemployment compensation
 17 law with respect to which responsibility for adminis-
 18 tration is vested in the Secretary of Labor.”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 subsection (a) shall take effect on October 1, 1999.

21 **SEC. 204. TRANSFER OF AMOUNTS ATTRIBUTABLE TO RE-**
 22 **DUCTION CREDITS.**

23 (a) IN GENERAL.—Section 901(d) of the Social Secu-
 24 rity Act (42 U.S.C. 1101(d)) is amended to read as fol-
 25 lows:

1 “Additional Tax Attributable to Reduced Credits

2 “(d)(1) The Secretary of the Treasury is directed to
3 transfer from the employment security administration ac-
4 count of each State subject to the reduced credits provi-
5 sion of section 3302(c)(3) of the Internal Revenue Code
6 of 1986—

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

9 “(i) 100 percent of the additional tax re-
10 ceived under chapter 23 of the Internal Reve-
11 nue Code of 1986 with respect to the State by
12 reason of the reduced credits provisions of sec-
13 tion 3302(c)(3) of such Code and covered into
14 the Treasury for the repayment of advances
15 made to the State under section 1201, exceeds

16 “(ii) the amount transferred to the account
17 of such State pursuant to subparagraph (B) of
18 this paragraph. Any amount transferred pursu-
19 ant to this subparagraph shall be credited
20 against, and shall operate to reduce, that bal-
21 ance of advances, made under section 1201 to
22 the State, with respect to which employers paid
23 such additional tax; and

24 “(B) to the unemployment compensation benefit
25 account (in the unemployment trust fund) of the

1 State with respect to which employers paid such ad-
 2 ditional tax, an amount equal to the amount by
 3 which such additional tax received and covered into
 4 the treasury exceeds that balance of advances, made
 5 under section 1201 to the State, with respect to
 6 which employers paid such additional tax.

7 “(2) Transfers under this subsection shall be as of
 8 the beginning of the month succeeding the month in which
 9 the moneys were credited to the employment security ad-
 10 ministration account of the State.”.

11 (b) EFFECTIVE DATE.—The amendment made by
 12 subsection (a) shall take effect on October 1, 1999.

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

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

17 “Revolving Fund

18 “(e)(1) There is hereby established in the treasury
 19 a revolving fund within the Federal Unemployment Ac-
 20 count established pursuant to section 904 which shall be
 21 available to make the advances authorized by this sub-
 22 section. There are hereby authorized to be appropriated,
 23 without fiscal year limitation, to such revolving fund such
 24 amounts as may be necessary for the purposes of this sec-
 25 tion.

1 “(2) The Secretary of the Treasury is directed to ad-
2 vance at the request of a State from the revolving fund
3 to the State Employment Security Administration Account
4 maintained for the State such amounts as may be re-
5 quested for the purposes set forth in this title, title III,
6 and section 3304 of the Internal Revenue Code of 1986.

7 “(3) Advances to the State Employment Security Ad-
8 ministration Account of a State made under this sub-
9 section shall bear interest until repaid at a rate equal to
10 the average rate of interest (computed as of the end of
11 the calendar month next preceding the date of such ad-
12 vance) borne by all interest-bearing obligations of the
13 United States then forming a part of the public debt; ex-
14 cept that where such average rate is not a multiple of $\frac{1}{8}$
15 of 1 percent, the rate of interest shall be the multiple of
16 $\frac{1}{8}$ of 1 percent next lower than such average rate.

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

duce, any balance of advances (plus accrued interest) repayable under this subsection.”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect on October 1, 1999.

SEC. 206. TREATMENT OF EXCESS ESAA AMOUNTS.

Section 901 of the Social Security Act (42 U.S.C. 1101 et seq.) is amended by adding at the end the following:

“Treatment of Excess ESAA Amounts

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

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

“(3)(A) The excess in the State Employment Security Administration Account of each State determined as provided in paragraph (2) as of the close of any fiscal year

1 ending after September 30, 2005, not to exceed 140 per-
2 cent of the net balance at the close of the previous fiscal
3 year, shall be retained (as of the beginning of the succeed-
4 ing fiscal year) in the State Employment Security Admin-
5 istration Account for the State.

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

12 “(C)(i) At the close of each of fiscal years 1999
13 through 2002, there shall be transferred to the Supple-
14 mental Employment Security Administration Account, out
15 of the Employment Security Administration Account,
16 \$5,000,000—

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

23 “(II) for job search and placement services to
24 individuals claiming unemployment compensation
25 benefits and other job seekers including counseling,

1 testing, occupational and labor market information,
2 assessment, and referral to employers;

3 “(III) for appropriate recruitment services and
4 special technical services for employers; and

5 “(IV) for collection of the Federal unemploy-
6 ment tax imposed pursuant to section 3301 of the
7 Internal Revenue Code of 1986.

8 “(ii) At the close of each of fiscal years 1999 through
9 2002, there shall be transferred to the State Employment
10 Security Administration Accounts, out of the Employment
11 Security Administration Account, \$245,000,000—

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 taxes under chapter 23
2 of the Internal Revenue Code of 1986.

3 “(iii) Each State’s share of the funds to be trans-
4 ferred to the State Employment Security Administration
5 Accounts shall bear the same ratio to the total amount
6 to be transferred to such accounts as the amount of wages
7 subject to tax under chapter 23 of the Internal Revenue
8 Code of 1986 during the preceding calendar year which
9 are determined by the Secretary of Labor to be attrib-
10 utable to the State, bears to the total amount of wages
11 subject to such tax during such year.

12 “(D) As of the close of the fiscal year ending Septem-
13 ber 30, 2003, 96 percent of the amount in the employment
14 security administration account shall be transferred as of
15 October 1, 2003, to the State Employment Security Ad-
16 ministration Accounts of the States, 2 percent shall be
17 transferred as of October 1, 2003, to the Supplemental
18 Employment Security Administration Account, and 2 per-
19 cent shall be transferred as of October 1, 2003, to the
20 Secretary of Labor Employment Security Administration
21 Account. Each State’s share of the funds to be transferred
22 to the State Employment Security Administration Ac-
23 counts shall bear the same ratio to the total amount to
24 be transferred to such accounts as the amount of wages
25 subject to tax under chapter 23 of the Internal Revenue

1 Code of 1986 during the preceding calendar year which
2 are determined by the Secretary of Labor to be attrib-
3 utable to the State, bears to the total amount of wages
4 subject to such tax during such year. Such amounts shall
5 be available for the purposes set forth in subsection (b)(1).

6 “(E) As of October 31, 1999, and the end of each
7 month thereafter, 96 percent of the amount in the Em-
8 ployment Security Transition Account shall be transferred
9 to the State Employment Security Administration Ac-
10 counts of the States, 2 percent shall be transferred to the
11 Supplemental Employment Security Administration Ac-
12 count, and 2 percent shall be transferred to the Secretary
13 of Labor Employment Security Administration Account.
14 Each State’s share of the funds to be transferred to the
15 State Employment Security Administration Accounts shall
16 bear the same ratio to the total amount to be transferred
17 to such accounts as the amount of wages subject to tax
18 under chapter 23 of the Internal Revenue Code of 1986
19 during the preceding calendar year which are determined
20 by the Secretary of Labor to be attributable to the State,
21 bears to the total amount of wages subject to such tax
22 during such year.

23 “(4) For the purposes of this section, the net balance
24 in the employment security administration account and
25 the State Employment Security Administration Account

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

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

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

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

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

1 of each State as of the beginning of the following fiscal
2 year.

3 “State Allocation Formula

4 “(b) Each State’s share of the funds to be transferred
5 under subsection (a) shall bear the same ratio to the total
6 amount to be so transferred as the amount of wages sub-
7 ject to tax under section 3301 of the Internal Revenue
8 Code of 1986 during the preceding calendar year which
9 are determined by the Secretary of Labor to be attrib-
10 utable to the State, bears to the total amount of wages
11 subject to such tax during such year.”.

12 (b) EFFECTIVE DATE.—The amendments made by
13 subsection (a) shall take effect on September 30, 2003.

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

15 Section 902(c) of the Social Security Act (42 U.S.C.
16 1102(c)) is repealed.

17 **SEC. 209. TERMINATION OF EXTENDED UNEMPLOYMENT**
18 **COMPENSATION ACCOUNT.**

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

22 “Termination of Extended Unemployment Compensation
23 Account

24 “(a)(1) As of the close of the fiscal year ending Sep-
25 tember 30, 2003, the excess in the Extended Unemploy-

1 ment Compensation Account shall be transferred to the
 2 State Employment Security Administration Accounts of
 3 the States and the remaining balance in the Extended Un-
 4 employment Compensation Account shall be transferred to
 5 the Unemployment Compensation Benefit Accounts of the
 6 States in the unemployment trust fund, except as provided
 7 in subsection (b) of this section.

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

13 “(A) shall be determined by the Secretary of
 14 Labor and certified by such Secretary to the Sec-
 15 retary of the Treasury before such date, and

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

18 “(i) the amount of wages subject to tax
 19 under section 3301 of the Internal Revenue
 20 Code of 1986 during the preceding calendar
 21 year which are determined by the Secretary of
 22 Labor to be attributable to the State, bears to

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

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall take effect on September 30, 2003.

3 **SEC. 210. TREATMENT OF AMOUNTS ELECTED BY INELI-**
 4 **GIBLE STATES.**

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

8 “Treatment of Amounts Elected by Ineligible States

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

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

13 “(B) the law of a State is not approvable under
 14 section 3304 of the Internal Revenue Code of 1986,
 15 then the amount available for transfer to such
 16 State’s unemployment compensation benefit account
 17 in the unemployment trust fund shall, in lieu of
 18 being so transferred, be transferred to the Federal
 19 unemployment account as of the beginning of such
 20 October 1. If, during the fiscal year beginning on
 21 such October 1, the Secretary of Labor finds and
 22 certifies to the Secretary of the Treasury that such
 23 State is eligible for certification under section 303,
 24 and the law of such State is approvable under sec-
 25 tion 3304 of such Code, the Secretary of the Treas-

1 ury shall transfer such amount from the Federal un-
 2 employment account to the unemployment com-
 3 pensation benefit account of such State in the unem-
 4 ployment trust fund. If the Secretary of Labor does
 5 not so find and certify to the Secretary of the Treas-
 6 ury before the close of such fiscal year then the
 7 amount which was available for transfer to such
 8 State's unemployment compensation benefit account
 9 as of October 1 of such fiscal year shall (as of the
 10 close of such fiscal year) become part of the Federal
 11 unemployment account.

12 “(2) The amount which, but for this paragraph,
 13 would be transferred to the unemployment compensation
 14 benefit account of a State under subsection (a) of this sec-
 15 tion or paragraph (1) of this subsection shall be reduced
 16 (but not below zero) by the balance of advances made to
 17 the State under section 1201. The sum by which such
 18 amount is reduced shall—

19 “(A) be transferred to or retained in (as the
 20 case may be) the Federal unemployment account,
 21 and

22 “(B) be credited against, and operate to re-
 23 duce—

1 “(i) first, any balance of advances made
2 before September 13, 1960, to the State under
3 section 1201, and

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

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall take effect on October 1, 1999.

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

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

13 “Use of Reed Act Funds

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

20 “(2) A State may, pursuant to a specific appropria-
21 tion made by the legislative body of the State, use money
22 withdrawn from its unemployment compensation benefit
23 account in the payment of expenses incurred by it for the
24 administration of its unemployment compensation law and
25 public employment services, if and only if—

1 “(A) the purposes and amounts were specified
2 in the law making the appropriation,

3 “(B) the appropriation law did not authorize
4 the obligation of such money after the close of the
5 2-year period which began on the date of enactment
6 of the appropriation law,

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

9 “(D)(i) the appropriation law limits the total
10 amount which may be obligated under such appro-
11 priation at any time to an amount which does not
12 exceed, at any such time, the amount by which—

13 “(I) the aggregate of the amounts trans-
14 ferred to the Unemployment Compensation
15 Benefit Account of such State pursuant to sub-
16 sections (a) and (b), exceeds

17 “(II) the aggregate of the amounts used by
18 the State pursuant to this subsection and
19 charged against the amounts transferred to the
20 Unemployment Compensation Benefit Account
21 of such State, and

22 “(ii) for purposes of clause (i), amounts used by
23 a State for administration shall be chargeable
24 against transferred amounts at the exact time the
25 obligation is entered into, and

1 “(E) the use of the money shall be accounted
2 for in accordance with standards established by each
3 State. Proceeds from the sale or transfer of real
4 property and other capital assets which were origi-
5 nally purchased with Federal funds provided under
6 this title or title III, may be used by a State agency
7 administering State law in accordance with such ti-
8 tles and section 3304 of the Internal Revenue Code
9 of 1986 to purchase or otherwise acquire real prop-
10 erty or other capital assets for a period of 2 years
11 after the date of sale or transfer. Proceeds from the
12 sale or transfer of real property remaining after
13 such 2-year period shall be deposited in the State’s
14 Employment Security Administration Account estab-
15 lished pursuant to section 904.

16 “(3)(A) If—

17 “(i) amounts transferred to the Unemployment
18 Compensation Benefit Account of a State pursuant
19 to subsections (a) and (b) of this section were used
20 in payment of unemployment benefits to individuals;
21 and

22 “(ii) the Governor of such State submits a re-
23 quest to the Secretary of Labor that such amounts
24 be restored under this paragraph, then the amounts
25 described in clause (i) shall be restored to the status

1 of funds transferred under subsections (a) and (b)
2 of this section which have not been used by eliminat-
3 ing any charge against amounts so transferred for
4 the use of such amounts in the payment of unem-
5 ployment benefits.

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

10 “(C) Subparagraph (A) shall not apply if the State
11 has a balance of advances made to its Unemployment
12 Compensation Benefit Account under title XII.

13 “(D) If the Secretary of Labor determines that the
14 requirements of this paragraph are met with respect to
15 any request, the Secretary shall notify the Governor of the
16 State that such requirements are met with respect to such
17 request and the amount restored under this paragraph.
18 Such restoration shall be as of the first day of the first
19 month following the month in which the notification is
20 made.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall take effect on October 1, 1999.

1 **SEC. 212. PROVISIONS RELATING TO ESTABLISHMENT OF**
2 **UNEMPLOYMENT TRUST FUND.**

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

6 “Establishment, Etc.

7 “(a) There is hereby established in the Treasury of
8 the United States a trust fund to be known as the Unem-
9 ployment Trust Fund (in this subchapter referred to as
10 the ‘Fund’). The Secretary of the Treasury is authorized
11 and directed to receive and hold in the Fund all moneys
12 deposited therein by a State agency from a State unem-
13 ployment fund. All moneys in the form of contributions
14 and payments in lieu of contributions under the State law
15 shall be deposited into the State’s Unemployment Com-
16 pensation Benefit Account established pursuant to this
17 section. All moneys collected by a State agency under
18 chapter 23 of the Internal Revenue Code of 1986 and
19 moneys transferred or deposited under other sections of
20 this title or chapter 23 of the Internal Revenue Code of
21 1986 shall be deposited into the State’s Employment Se-
22 curity Administration Account. All moneys collected by the
23 Internal Revenue Service after January 1, 2000, under
24 the provisions of chapter 23 of the Internal Revenue Code
25 of 1986 shall be deposited into the Employment Security
26 Transition Account of the Fund. Moneys collected by the

1 Railroad Retirement Board shall be deposited to the credit
 2 of the railroad unemployment insurance account or the
 3 railroad unemployment insurance administration fund.”.

4 (b) EFFECTIVE DATE.—The amendment made by
 5 subsection (a) shall take effect on October 1, 1999.

6 **SEC. 213. SEPARATE BOOK ACCOUNTS.**

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

10 “Separate Book Accounts

11 “(e)(1) The Fund shall be invested as a single fund,
 12 but the Secretary of the Treasury shall maintain a sepa-
 13 rate book account for the Employment Security Transition
 14 Account, each State Agency Unemployment Compensation
 15 Benefit Account, the Employment Security Administra-
 16 tion Account for each State, the Supplemental Employ-
 17 ment Security Administration Account, the Secretary of
 18 Labor Employment Security Administration Account, the
 19 Federal Unemployment Account, the railroad unemploy-
 20 ment insurance account, and the railroad unemployment
 21 insurance administration fund and shall credit quarterly
 22 (on March 31, June 30, September 30, and December 31,
 23 of each year) to each account, on the basis of the average
 24 daily balance of such account, a proportionate part of the
 25 earnings of the Fund for the quarter ending on such date.

1 For the purpose of this subsection, the average daily bal-
 2 ance shall be computed—

3 “(A) in the case of any State Unemployment
 4 Compensation Benefit Account, by reducing (but not
 5 below zero) the amount in the account by the bal-
 6 ance of advances made to the State under section
 7 1201, and

8 “(B) in the case of the Federal Unemployment
 9 Account—

10 “(i) by adding to the amount in the ac-
 11 count the aggregate of the reductions under
 12 paragraph (1), and

13 “(ii) by subtracting from the sum so ob-
 14 tained the balance of advances made under sec-
 15 tion 1201 to the account.

16 “(2) There is hereby established within the unemploy-
 17 ment trust fund, an Employment Security Transition Ac-
 18 count for the purpose of receiving moneys collected under
 19 chapter 23 of the Internal Revenue Code of 1986, by the
 20 Internal Revenue Service, and transferring such moneys
 21 to other accounts within the unemployment trust fund as
 22 prescribed by this title.”.

23 (b) EFFECTIVE DATE.—The amendment made by
 24 subsection (a) shall take effect on October 1, 1999.

1 **SEC. 214. PAYMENTS TO STATE AGENCIES AND RAILROAD**
 2 **RETIREMENT BOARD.**

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

6 “Payments to State Agencies and Railroad Retirement
 7 Board

8 “(f) The Secretary of the Treasury is authorized and
 9 directed to pay out of the Fund to any State agency such
 10 amount as it may duly requisition. The Secretary of the
 11 Treasury is authorized and directed to make such pay-
 12 ments out of the railroad unemployment insurance ac-
 13 count for the payment of benefits, and out of the railroad
 14 unemployment insurance administration fund for the pay-
 15 ment of administrative expenses, as the Railroad Retire-
 16 ment Board may duly certify, not exceeding the amount
 17 standing to the credit of such account or such fund, as
 18 the case may be, at the time of such payment.”.

19 (b) EFFECTIVE DATE.—The amendment made by
 20 subsection (a) shall take effect on October 1, 1999.

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

22 (a) IN GENERAL.—Section 905 of the Social Security
 23 Act (42 U.S.C. 1105) is amended to read as follows:

24 “Terms of Transfer of EUCA Funds to State Accounts

25 “SEC. 905. Amounts, if any, in the Extended Unem-
 26 ployment Compensation Account at the close of the fiscal

1 year ending September 30, 2003, and every fiscal year
 2 thereafter, shall be transferred to the Unemployment
 3 Compensation Benefit Accounts of the States in the Un-
 4 employment Trust Fund as of the beginning of the follow-
 5 ing fiscal year. Each State's share shall be determined
 6 using the formula set forth in section 903(a)(2)(B).”.

7 (b) EFFECTIVE DATE.—The amendment made by
 8 subsection (a) shall take effect on October 1, 1999.

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

10 Section 910 of the Social Security Act (42 U.S.C.
 11 1110) is repealed.

12 **TITLE III—GRANTS TO STATES**
 13 **FOR EMPLOYMENT SECURITY**
 14 **ADMINISTRATION**

15 **SEC. 301. REPEAL OF SECTIONS 301 AND 302 OF THE SOCIAL**
 16 **SECURITY ACT.**

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

19 (b) EFFECTIVE DATE.—This section shall take effect
 20 on October 1, 2003.

21 **SEC. 302. STATE REQUIREMENTS.**

22 (a) CONFORMITY REQUIREMENTS.—Section 303(a)
 23 of the Social Security Act (42 U.S.C. 503(a)) is amended
 24 by striking “The Secretary” through “for—” and insert-
 25 ing the following: “As of October 31 each year, at the time

1 of the certification prescribed under section 3304(c) of the
 2 Internal Revenue Code of 1986, the Secretary of Labor
 3 shall certify whether each State's law includes provision
 4 for—”.

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

8 “(5) Expenditure of all money withdrawn from
 9 the State's Unemployment Compensation Benefit
 10 Account within the unemployment fund of such
 11 State, in the payment of unemployment compensa-
 12 tion, exclusive of expenses of administration, and for
 13 refunds of sums erroneously paid into such fund and
 14 refunds paid in accordance with the provisions of
 15 section 3305(b) of the Internal Revenue Code of
 16 1986: *Provided*, That an amount equal to the
 17 amount of employee payments into the Unemploy-
 18 ment Compensation Benefit Account within the un-
 19 employment fund of a State may be used in the pay-
 20 ment of cash benefits to individuals with respect to
 21 their disability, exclusive of expenses of administra-
 22 tion: *Provided further*, That the amounts specified
 23 by section 903(c)(2) may, subject to the conditions
 24 prescribed in such section, be used for expenses in-
 25 curred by the State for administration of its unem-

1 ployment compensation law and public employment
 2 services: *Provided further*, That nothing in this para-
 3 graph shall be construed to prohibit deducting an
 4 amount from unemployment benefits and used to
 5 repay overpayments as provided in subsection (g) of
 6 this section: *Provided further*, That amounts may be
 7 withdrawn for the payment of short-time compensa-
 8 tion under a plan approved by the Secretary of
 9 Labor: *Provided further*, That amounts may be with-
 10 drawn for the payment of allowances under a self-
 11 employment assistance program (as defined in sec-
 12 tion 3306(t) of the Internal Revenue Code of 1986;
 13 and”.

14 (c) USE OF ADMINISTRATIVE FUNDS.—Section
 15 303(a)(8) of the Social Security Act (42 U.S.C. 503(a)(8))
 16 is amended to read as follows:

17 “(8) Expenditure of all moneys received pursu-
 18 ant to title IX solely for the proper and efficient ad-
 19 ministration of such State law and services specified
 20 in such title and section 3304 of the Internal Reve-
 21 nue Code of 1986; and”.

22 (d) PROPER ADMINISTRATION REQUIREMENT.—Sec-
 23 tion 303(a)(9) of the Social Security Act (42 U.S.C.
 24 503(a)(9)) is amended to read as follows:

1 “(9) The replacement, within a reasonable time,
 2 of any moneys received pursuant to title IX, which,
 3 because of any action or contingency, have been lost
 4 or have been expended for purposes other than those
 5 necessary for the proper administration of such
 6 State law and the provision of services under such
 7 title and section 3304 of the Internal Revenue Code
 8 of 1986; and”.

9 (e) EFFECTIVE DATE.—The amendments made by
 10 this section shall take effect on October 1, 2003.

11 **SEC. 303. INTERPRETATION OF METHODS OF ADMINISTRA-**
 12 **TION REQUIREMENT.**

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

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

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

19 “(11) States shall not be required to comply
 20 with interpretations of the Secretary of Labor with
 21 respect to methods of administration requirements
 22 under paragraph (1) of this subsection, including
 23 but not limited to requirements with respect to qual-
 24 ity control, if such interpretations impose additional
 25 administrative burdens on the States, unless Con-

1 gress enacts legislation which approves such inter-
2 pretation.”

3 (b) EFFECTIVE DATE.—The amendments made by
4 subsection (a) shall take effect on October 1, 1999.

5 **TITLE IV—EXTENDED UNEM-**
6 **EMPLOYMENT COMPENSATION**
7 **ACT OF 1998**

8 **SEC. 401. EXTENDED UNEMPLOYMENT COMPENSATION ACT**
9 **OF 1998.**

10 (a) IN GENERAL.—The Federal-State Extended Un-
11 employment Act of 1970 (26 U.S.C. 3304 note) is amend-
12 ed to read as follows:

13 “TITLE II—EXTENDED UNEMPLOYMENT
14 COMPENSATION PROGRAM

15 “SHORT TITLE

16 “SEC. 201. This title may be cited as the ‘Extended
17 Unemployment Compensation Act of 1998’.

18 “STATE LAW REQUIREMENTS

19 “SEC. 202. (a) For purposes of section 3304(a)(11)
20 of the Internal Revenue Code of 1986, a State law shall
21 provide that payment of extended compensation shall be
22 made, for any week of unemployment which begins in the
23 individual’s eligibility period as prescribed by State law,
24 to individuals who have exhausted all rights to regular
25 compensation and who have no rights to regular com-
26 pensation with respect to such week under State unem-

1 ployment compensation law or under the unemployment
2 compensation law of Canada. For purposes of the preced-
3 ing sentence, an individual shall have exhausted his rights
4 to regular compensation—

5 “(1) when no payments of regular compensation
6 are authorized to be made because the individual has
7 received all regular compensation available to the in-
8 dividual, or

9 “(2) when the individual’s rights to such com-
10 pensation have terminated by reason of the expira-
11 tion of the benefit year with respect to which such
12 rights existed.

13 “(b) The State law shall provide that the State will
14 establish, for each eligible individual who files an applica-
15 tion therefor, an extended compensation account within
16 the State’s Unemployment Compensation Benefit Account
17 with respect to such individual’s benefit year. Individuals
18 determined eligible for a week or weeks of extended com-
19 pensation shall be paid for such week or weeks by the
20 State agency with funds to be drawn from the State’s Un-
21 employment Compensation Benefit Account.

22 “(c) States with State laws certified as meeting the
23 requirements of the Federal-State Extended Unemploy-
24 ment Compensation Act of 1970 on October 31, 1999,
25 shall be deemed to meet the requirements for certification

1 with respect to the Extended Unemployment Compensa-
 2 tion Act of 1998 for the year ending October 31, 2000,
 3 as long as the State law is not amended so as to conflict
 4 with the requirements of this title.

5 “EXTENDED BENEFIT PERIOD

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

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

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

12 “(2) For the purposes of this title, an individual’s eli-
 13 gibility period under the State law shall consist of the
 14 weeks in his benefit year which begin in an extended bene-
 15 fit period and, if his benefit year ends within such ex-
 16 tended benefit period, any weeks thereafter which begin
 17 in such extended benefit period.

18 “(b) The extended benefit period shall last for a pe-
 19 riod of 13 consecutive weeks.

20 “ ‘ON’ AND ‘OFF’ INDICATORS

21 “SEC. 204. (a) There shall be an ‘on’ indicator if the
 22 rate of insured unemployment under the State law for the
 23 period consisting of such week and the immediately pre-
 24 ceding 12 weeks—

25 “(1) equaled or exceeded 120 percent of the av-
 26 erage of such rates for the corresponding 13-week

1 period ending in each of the preceding 2 calendar
 2 years, and

3 “(2) equaled or exceeded 5 percent.

4 “(b) The ‘off’ indicator shall be determined under
 5 State law, except that if an ‘on’ indicator is triggered
 6 under subsection (a) of this section, it shall remain on
 7 until the rate of insured unemployment under the State
 8 law for the period consisting of such week and the imme-
 9 diately preceding 12 weeks fails to satisfy the require-
 10 ments set forth in subsection (a).

11 “RATE OF INSURED UNEMPLOYMENT; COVERED
 12 EMPLOYMENT

13 “SEC. 205. For the purposes of this title, the term
 14 ‘rate of insured unemployment’ means the percentage ar-
 15 rived at by dividing—

16 “(1) the average weekly number of individuals
 17 filing claims for weeks of unemployment with respect
 18 to the specified 13-week period, by

19 “(2) the average monthly covered employment
 20 for the specified 13-week period.

21 “DEFINITIONS

22 “SEC. 206. (a) For purposes of this title:

23 “(1) The term ‘compensation’ means cash bene-
 24 fits payable to individuals with respect to their un-
 25 employment.

1 “(2) The term ‘regular compensation’ means
2 compensation payable to an individual under any
3 State unemployment compensation law (including
4 compensation payable pursuant to chapter 85 of title
5 5, United States Code), other than extended com-
6 pensation.

7 “(3) The term ‘extended compensation’ means
8 compensation (including compensation payable pur-
9 suant to chapter 85 of title 5, United States Code),
10 payable for weeks of unemployment beginning in an
11 extended benefit period to an individual under those
12 provisions of the State law which satisfy the require-
13 ments of this title with respect to the payment of ex-
14 tended compensation.

15 “(4) The term ‘benefit year’ means the benefit
16 year as defined in the applicable State law.

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

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

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

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

1 “(9) The term ‘State law’ means the unemploy-
 2 ment compensation law of the State, approved by
 3 the Secretary under section 3304 of the Internal
 4 Revenue Code of 1986.

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

7 (b) EFFECTIVE DATE.—The amendment made by
 8 subsection (a) shall take effect on November 1, 2003.

9 **TITLE V—FEDERAL EMPLOY-**
 10 **MENT SECURITY SERVICE**

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

12 (a) IN GENERAL.—Section 1 of the Wagner-Peyser
 13 Act (29 U.S.C. 49) is amended to read as follows:

14 “SECTION 1. In order to assist in the coordination
 15 of public employment security services, the United States
 16 Employment Security Service shall be established and
 17 maintained within the Department of Labor.”.

18 (b) EFFECTIVE DATE.—The amendment made by
 19 subsection (a) shall take effect on October 1, 1999.

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

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

24 “(a) The United States Employment Security Service
 25 shall assist in coordinating public employment services

1 throughout the country and assure that the requirements
2 of titles III and IX of the Social Security Act and section
3 3304 of the Internal Revenue Code of 1986 are met.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall take effect on October 1, 1999.

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

7 (a) IN GENERAL.—For the purpose of assisting in
8 the coordination of employment services in accordance
9 with the terms of the Wagner-Peyser Act (29 U.S.C. 49
10 et seq.), the Secretary of Labor is authorized without pay-
11 ment of compensation to transfer and assign to the States
12 in which it is located all property, including records, files,
13 and office equipment, used by the United States Employ-
14 ment Service in its administrative and local employment
15 offices in the respective States, except the records, files,
16 and property used in the Veterans Service and in the
17 Farm Placement Service maintained pursuant to such
18 Act.

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

23 (c) EFFECTIVE DATE.—This section shall take effect
24 on October 1, 1999.

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

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

5 (b) EFFECTIVE DATE.—This section shall take effect
6 on October 1, 2003.

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

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

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

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

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

24 “(3) for appropriate recruitment services and
25 special technical services for employers, and may be
26 used for—

1 “(A) evaluation of programs;

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

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

12 “(D) developing and providing labor mar-
13 ket and occupational information; and

14 “(E) developing a management informa-
15 tion system and compiling and analyzing re-
16 ports therefrom.”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall take effect on October 1, 2003.

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

21 (a) IN GENERAL.—Subsections (b) through (d) of
22 section 7 of the Wagner-Peyser Act (29 U.S.C. 49f) are
23 repealed.

24 (b) EFFECTIVE DATE.—This section shall take effect
25 on October 1, 2003.

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

3 (a) IN GENERAL.—Sections 8, 9, 12, 13, and 14 of
 4 the Wagner-Peyser Act (29 U.S.C. 49g; 49h; 49k; 49l;
 5 49l–1) are repealed.

6 (b) EFFECTIVE DATE.—This section shall take effect
 7 on October 1, 2003.

8 **TITLE VI—ADVANCES TO STATE**
 9 **UNEMPLOYMENT COMPENSA-**
 10 **TION BENEFIT ACCOUNTS**

11 **SEC. 601. TRANSFERS FROM THE FEDERAL UNEMPLOY-**
 12 **MENT ACCOUNT.**

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

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

1 amount estimated by the State to be required for the pay-
2 ment of compensation for the month with respect to which
3 such installment is made.”.

4 (b) EFFECTIVE DATE.—The amendment made by
5 subsection (a) shall take effect on October 1, 1999.

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

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

10 “(a) The Governor of any State may at any time re-
11 quest that funds be transferred from the Unemployment
12 Compensation Benefit Account of such State in the unem-
13 ployment trust fund to the Federal Unemployment Ac-
14 count in repayment of part or all of that balance of ad-
15 vances, made to such State under section 1201, specified
16 in the request, and the Secretary of the Treasury shall
17 promptly transfer such amount in reduction of such bal-
18 ance.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall take effect on October 1, 1999.

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

22 (a) IN GENERAL.—Section 1202(b) of the Social Se-
23 curity Act (42 U.S.C. 1322(b)) is amended by striking
24 paragraphs (4) and (5) and inserting the following:

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

5 “(A) the aggregate amount credited under
6 section 904 to State Unemployment Compensa-
7 tion Benefit Accounts on the last day of the last
8 calendar quarter of the immediately preceding
9 calendar year, by

10 “(B) the aggregate of the average daily
11 balances of the State Unemployment Com-
12 pensation Benefit Accounts for such quarter as
13 determined under section 904(e).

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

1 1986. Such noncertification shall be made in accord-
 2 ance with section 3304(c) of such Code.”.

3 (b) EFFECTIVE DATE.—The amendment made by
 4 subsection (a) shall take effect on October 1, 1999.

5 **SEC. 604. REVOLVING LOAN FUND.**

6 (a) IN GENERAL.—Section 1203 of the Social Secu-
 7 rity Act (42 U.S.C. 1323) is amended to read as follows:

8 “ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

9 “SEC. 1203. There are hereby authorized to be ap-
 10 propriated to the Federal Unemployment Account, as re-
 11 payable advances, such sums as may be necessary to carry
 12 out the purposes of this title. Amounts appropriated as
 13 repayable advances for purposes of this section shall bear
 14 interest at a rate equal to the average rate of interest,
 15 computed as of the end of the calendar month next preced-
 16 ing the date of such advance, borne by all interest-bearing
 17 obligations of the United States then forming part of the
 18 public debt; except that in cases in which such average
 19 rate is not a multiple of $\frac{1}{8}$ of 1 percent, the rate of inter-
 20 est shall be the multiple of $\frac{1}{8}$ of 1 percent next lower than
 21 such average rate.”.

22 (b) EFFECTIVE DATE.—The amendment made by
 23 subsection (a) shall take effect on October 1, 1999.

1 **TITLE VII—CONFORMING**
 2 **AMENDMENTS**

3 **SEC. 701. CONFORMING AMENDMENT TO DEFINITIONAL**
 4 **PROVISION.**

5 (a) **IN GENERAL.**—Section 5401(b) of the Balanced
 6 Budget Act of 1997 is amended by striking “Federal-
 7 State Extended Unemployment Compensation Act of 1970
 8 (26 U.S.C. 3304 note)” and inserting “Extended Unem-
 9 ployment Compensation Act of 1998”.

10 (b) **EFFECTIVE DATE.**—The amendment made by
 11 subsection (a) shall take effect on November 1, 1999.

12 **SEC. 702. BALANCED BUDGET AMENDMENTS.**

13 Sections 5402, 5403, 5404, and 5408 of the Bal-
 14 anced Budget Act of 1997 are repealed effective Septem-
 15 ber 30, 2003.

16 **SEC. 703. REPEAL OF FEDERAL UNEMPLOYMENT TAX**
 17 **AMENDMENT.**

18 Amendments enacted in section 1035 of the Taxpayer
 19 Relief Act of 1997 are repealed.

