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To enhance the Federal-State Extended Benefit program, to provide incentives to States to implement procedures that will expand eligibility for unemployment compensation, to strengthen administrative financing of the unemployment compensation program, to improve the solvency of State accounts in the Unemployment Trust Fund, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 17, 1999

Mr. LEVIN (for himself, Mr. ENGLISH, Mr. KLECZKA, Mr. HILLIARD, Mr. THOMPSON of Mississippi, Mr. KUCINICH, and Ms. SCHAKOWSKY) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To enhance the Federal-State Extended Benefit program, to provide incentives to States to implement procedures that will expand eligibility for unemployment compensation, to strengthen administrative financing of the unemployment compensation program, to improve the solvency of State accounts in the Unemployment Trust Fund, 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.**

2 This Act may be cited as the “Unemployment Com-
3 pensation Amendments of 1999”.

4 **SEC. 2. AMENDMENTS TO EXTENDED BENEFIT PROGRAM.**

5 (a) REPEAL OF CERTAIN STATE LAW REQUIRE-
6 MENTS.—Section 202 of the Federal-State Extended Un-
7 employment Compensation Act of 1970 (26 U.S.C. 3304
8 note) is amended—

9 (1) by striking paragraphs (3), (4), (5), (6),
10 and (7) of subsection (a); and

11 (2) by repealing subsection (c).

12 (b) ESTABLISHMENT OF MANDATORY TRIGGERS
13 BASED ON TOTAL UNEMPLOYMENT.—

14 (1) STATE ‘ON’ AND ‘OFF’ INDICATORS.—Sub-
15 section (d) of section 203 of such Act is amended to
16 read as follows:

17 “State ‘On’ and ‘Off’ Indicators

18 “(d) For purposes of this section—

19 “(1) There is a State ‘on’ indicator for a week
20 if—

21 “(A)(i) the average rate of total unemploy-
22 ment in such State (seasonally adjusted) for the
23 period consisting of the most recent three
24 months for which data for all States are pub-
25 lished before the close of the week equals or ex-
26 ceeds 7.5 percent, and

8 “(B) the average rate of total unemploy-
9 ment for such State (seasonally adjusted) for
10 the period consisting of the most recent 3
11 months for which data for all States are pub-
12 lished before the close of the week equals or ex-
13 ceeds 10 percent.

14 “(2) There is a State ‘off’ indicator for a week
15 unless the requirements of subparagraph (A) or (B)
16 of paragraph (1) are satisfied.”.

(2) DETERMINATION OF RATES OF TOTAL UN-
EMPLOYMENT AND INSURED UNEMPLOYMENT.—
Subsection (e) of section 203 of such Act is amended
to read as follows:

21 “Determination of Rates of Total Unemployment and
22 Insured Unemployment

23 “(e)(1) For purposes of this Act, determinations of
24 the rate of total unemployment in any State for any period

1 (and of any seasonal adjustments) shall be made by the
2 Secretary.

3 “(2)(A) For purposes of subsection (f)(2), the rate
4 of insured unemployment for any thirteen-week period
5 shall be determined by reference to the average monthly
6 covered employment under the State law for the first four
7 of the most recent six calendar quarters ending before the
8 close of such period.

9 “(B) For purposes of subsection (f)(2), the term ‘rate
10 of insured unemployment’ means the percentage arrived
11 at by dividing—

12 “(i) the average weekly number of individuals
13 filing claims for regular compensation for weeks of
14 unemployment with respect to the specified period,
15 as determined on the basis of the reports made by
16 the State agency to the Secretary, by

17 “(ii) the average monthly covered employment
18 for the specified period.

19 “(C) Determinations under subsection (f)(2) shall be
20 made by the State agency in accordance with regulations
21 prescribed by the Secretary.”.

22 (c) REQUIREMENTS FOR SUPPLEMENTAL BENEFITS
23 DURING HIGH UNEMPLOYMENT PERIODS.—

24 (1) IN GENERAL.—Subparagraph (B) of section
25 202(b)(3) of such Act is amended to read as follows:

1 “(B) For purposes of subparagraph (A), the term
2 ‘high unemployment period’ means any period during
3 which an extended benefit period would be in effect if—

4 “(i)(I) section 203(d)(1)(A)(i) were applied by
5 substituting ‘10 percent’ for ‘7.5 percent’; and

6 “(II) section 203(d)(1)(B) were applied by sub-
7 stituting ‘12.5 percent’ for ‘10 percent’; and

8 “(ii) section 203(f)(1)(A)(i) were applied by
9 substituting ‘8 percent’ for ‘6.5 percent’.”.

10 (2) TECHNICAL AMENDMENT.—Subsection (b)
11 of section 202 of such Act is amended by moving the
12 text of paragraph (3)(A) of such subsection 2 ems
13 to the left.

14 (d) AMENDMENTS TO ALTERNATIVE TRIGGER.—Sec-
15 tion 203(f) of such Act is amended—

16 (1) in paragraph (1), by striking “Effective
17 with respect to compensation for weeks of employ-
18 ment beginning after March 6, 1993, the” and in-
19 serting “In lieu of applying the indicator specified in
20 subsection (d)(1)(A), a”;

21 (2) by amending paragraph (2) to read as fol-
22 lows:

23 “(2) A State may by law provide that, for the purpose
24 of beginning or ending any extended period under this sec-

tion, in addition to the indicators specified in subsection (d) and paragraph (1) of this subsection—

“(A) there is a State ‘on’ indicator for a week if the rate of insured unemployment under State law for the period consisting of such week and the immediately preceding twelve weeks equals or exceeds 6 percent; and

“(B) there is a State ‘off’ indicator for a week if the requirement set forth in subparagraph (A) is not satisfied.

Notwithstanding the provision of any State law described in this paragraph, any week for which there would otherwise be a State ‘on’ indicator shall continue to be such a week and shall not be determined to be a week for which there is a State ‘off’ indicator.”.

SEC. 3. SPECIAL DISTRIBUTIONS TO THE STATES.

Section 903(a)(3) of the Social Security Act (42 U.S.C. 1103(a)(3)) is amended—

(1) in subparagraph (A) by amending clauses (i) and (ii) to read as follows:

“(i) be subject to subparagraphs (B) and (C), to the extent such amounts are not in excess of the sum of—

“(I) \$20,000,000, plus

1 “(II) the amount determined by
2 the Secretary of Labor to be the dif-
3 ference between the amount necessary
4 for the proper and efficient adminis-
5 tration of the unemployment com-
6 pensation program for the succeeding
7 fiscal year (taking into account work-
8 load and other appropriate factors)
9 and \$2,419,000,000, and
10 “(ii) be subject to subparagraph (D),
11 to the extent such amounts are in excess of
12 the sum of subclauses (I) and (II) of
13 clause (i).”;
14 (2) in subparagraph (B) by striking “(A)(i)”
15 and inserting “(A)(i)(II)”;
16 (3) by redesignating subparagraphs (B) and
17 (C) as subparagraphs (C) and (D), respectively; and
18 (4) by inserting after subparagraph (A) the fol-
19 lowing new subparagraph:
20 “(B) The Secretary of Labor shall reserve the
21 amount specified in subparagraph (A)(i)(I) (at the close
22 of fiscal years 1999, 2000, and 2001) to award grants
23 to the States in fiscal years 2000, 2001, and 2002 to as-
24 sist in the implementation of alternative base periods for
25 determining the eligibility of claimants. Such alternative

1 base periods shall reduce the period of time between the
2 end of the base period for a claimant and the filing of
3 a claim for compensation. The amounts reserved pursuant
4 to this subparagraph shall be available to the Secretary
5 of Labor for obligation through fiscal year 2002.”.

6 **SEC. 4. SOLVENCY REQUIREMENTS.**

7 Section 903(b) of the Social Security Act (42 U.S.C.
8 1103(b)) is amended by adding at the end the following
9 new paragraph:

10 “(3)(A) If the Secretary of Labor finds that, as of
11 December 31, 2001, a State has not achieved, or made
12 acceptable progress toward achieving, the solvency target
13 established pursuant to subparagraph (B), then, subject
14 to the limitation described in subparagraph (C), the
15 amount available under this section for transfer to such
16 State account for the succeeding fiscal year shall, in lieu
17 of being so transferred, be transferred to the States meet-
18 ing the requirements of this subsection. The transfers
19 shall be made to such States based on the share of funds
20 of each such State under subsection (a)(2), except that,
21 for purposes of this subparagraph, the ratio under sub-
22 section (a)(2) shall be adjusted by excluding the wages at-
23 tributable to the States failing to meet the requirements
24 of this subparagraph.

1 “(B)(i) For December 31, 2001, the solvency target
2 shall be an average high cost multiple of 1.0. For purposes
3 of this subparagraph, the average high cost multiple rep-
4 resents the number of years a State could pay unemploy-
5 ment compensation (based on the reserve ratio of such
6 State) if the State paid such compensation at a rate equiv-
7 alent to the average benefit cost rate such State paid in
8 the three calendar years during the preceding 20 calendar
9 years (or, if longer, during the period consisting of the
10 preceding three recessions as determined by the National
11 Bureau of Economic Research) that the benefit cost rates
12 were the highest. For purposes of making this
13 determination—

14 “(I) the term ‘reserve ratio’ means the ratio de-
15 termined by dividing the balance in the State ac-
16 count at the end of the calendar year by the total
17 covered wages in the State for such year;

18 “(II) the term ‘benefit cost rate’ means the rate
19 determined by dividing the unemployment compensa-
20 tion paid during a calendar year by the total covered
21 wages in the State for such year; and

22 “(III) the ratio and rates determined under
23 subclauses (I) and (II) shall exclude the wages and
24 unemployment compensation paid by employers cov-

1 ered under section 3309 of the Internal Revenue
2 Code of 1986.

3 “(ii) For December 31, 2001, acceptable progress to-
4 wards achieving the solvency target shall mean that a
5 State has reduced any difference between 1.0 and the av-
6 erage high cost multiple of such State (if such multiple
7 is less than 1.0) that the Secretary found to exist as of
8 December 31, 1998, by an amount equal to or exceeding
9 5 percent of such difference.

10 “(iii) The Secretary may adjust the solvency target
11 specified in clause (i), or the criteria for determining
12 whether there is acceptable progress towards achieving the
13 solvency target specified in clause (ii), for States that ex-
14 perience significant increases in unemployment during the
15 period between December 31, 1998, and December 31,
16 2001. The Secretary shall establish objective criteria for
17 making such adjustments.

18 “(iv) A State shall include, as part of the annual
19 State plan relating to the administration of grants under
20 this title, such information as the Secretary may request
21 relating to the manner in which the State intends to
22 achieve the solvency target established pursuant to this
23 paragraph.

24 “(C) The requirements of subparagraph (A) shall
25 apply to excess (referred to in subsection (a)(1)) remain-

1 ing in the employment security account at the close of fis-
 2 cal year 2002 that are equal to or less than
 3 \$2,900,000,000. Such requirements shall not apply to any
 4 such excess amounts that are greater than
 5 \$2,900,000,000.”.

6 **SEC. 5. TREATMENT OF SHORT-TIME COMPENSATION PRO-**
 7 **GRAMS.**

8 (a) GENERAL RULE.—Section 3306 of the Internal
 9 Revenue Code of 1986 (26 U.S.C. 3306) is amended by
 10 adding at the end the following new subsection:

11 “(u) SHORT-TIME COMPENSATION PROGRAM.—For
 12 purposes of this chapter, the term ‘short-time compensa-
 13 tion program’ means a program under which—

14 “(1) the participation of an employer is vol-
 15 untary;

16 “(2) an employer reduces the number of hours
 17 worked by employees in lieu of temporary layoffs;

18 “(3) such employees whose workweeks have
 19 been reduced by at least 10 percent are eligible for
 20 unemployment compensation;

21 “(4) the amount of unemployment compensa-
 22 tion payable to any such employee is a pro rata por-
 23 tion of the unemployment compensation which would
 24 be payable to the employee if such employee were to-
 25 tally unemployed;

1 “(5) such employees are not required to meet
2 the availability for work or work search test require-
3 ments while collecting short-time compensation bene-
4 fits, but are required to be available for their normal
5 workweek;

6 “(6) eligible employees may participate in an
7 employer-sponsored training program to enhance job
8 skills if such program has been approved by the
9 State agency;

10 “(7) the State agency may require an employer
11 to continue to provide health benefits, and retire-
12 ment benefits under a defined benefit pension plan
13 (as defined in section 414(j)) to any employee whose
14 workweek is reduced pursuant to the program as
15 though the workweek of such employee had not been
16 reduced;

17 “(8) the State agency may require an employer
18 (or an employers’ association which is party to a col-
19 lective bargaining agreement) to submit a written
20 plan describing the manner in which the require-
21 ments of this subsection will be implemented and
22 containing such other information as the Secretary
23 of Labor determines is appropriate; and

1 “(9) the program meets such other require-
2 ments as the Secretary of Labor determines are ap-
3 propriate.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Subparagraph (E) of section 3304(a)(4) of
6 such Code (26 U.S.C. 3304(a)(4)(E)) is amended to
7 read as follows:

8 “(E) amounts may be withdrawn for the
9 payment of short-time compensation under a
10 short-time compensation program (as defined
11 under section 3306(u));”.

12 (2) Paragraph (5) of section 3306(f) of such
13 Code (26 U.S.C. 3306(f)(5)) is amended to read as
14 follows:

15 “(5) amounts may be withdrawn for the pay-
16 ment of short-time compensation under a short-time
17 compensation program (as defined under subsection
18 (u)); and”.

19 (3) Section 303(a)(5) of the Social Security Act
20 (42 U.S.C. 503(a)(5)) is amended by striking “the
21 payment of short-time compensation under a plan
22 approved by the Secretary of Labor” and inserting
23 “the payment of short-time compensation under a
24 short-time compensation program (as defined in sec-

1 tion 3306(u) of the Internal Revenue Code of
2 1986)”.
3

3 **SEC. 6. EFFECTIVE DATE.**

4 (a) IN GENERAL.—Except as provided in subsection
5 (b), the provisions of this Act shall take effect on the date
6 of enactment of this Act.

7 (b) EXTENDED BENEFIT AMENDMENTS.—

8 (1) Except as provided in paragraph (2), the
9 provisions of section 2 of this Act shall take effect
10 for the weeks beginning on or after October 1, 2002.

11 (2) Pursuant to the enactment of appropriate
12 provisions of the State law, the provisions of section
13 2 may, with respect to such State, take effect for
14 weeks which begin earlier than the weeks specified
15 in paragraph (1), but not earlier than 60 days after
16 the date of enactment of this Act.

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