

106TH CONGRESS
1ST SESSION

S. 462

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

FEBRUARY 24, 1999

Mr. DEWINE (for himself, Mr. COCHRAN, and Mr. VOINOVICH) 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 1999”.

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. Treatment of extended unemployment compensation account.
Sec. 210. Treatment of amounts elected by ineligible States.
Sec. 211. Use of Reed Act funds.
Sec. 212. Provisions relating to establishment of Unemployment Trust Fund.
Sec. 213. Separate book accounts.
Sec. 214. Payments to State agencies and Railroad Retirement Board.
Sec. 215. Establishment of EUCA account excess 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

Sec. 401. Extended unemployment compensation.

TITLE V—FEDERAL EMPLOYMENT SECURITY SERVICE

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

TITLE VI—ADVANCES TO STATE UNEMPLOYMENT COMPENSATION BENEFIT ACCOUNTS

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

TITLE VII—CONFORMING AMENDMENTS

- Sec. 701. Balanced budget amendments.
- Sec. 702. 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 1999; or

14 “(2) 6.0 percent in the case of calendar year
15 2000 and each calendar year thereafter;

1 of the total wages (as defined in section 3306(b)) paid
2 by him during the calendar year with respect to employ-
3 ment (as defined in section 3306(c)). Effective for cal-
4 endar year 2001 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 2004 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 estab-
13 lished pursuant to section 904 of the Social Security Act.
14 Amounts collected for calendar year 2004 and years there-
15 after shall be immediately deposited in the State's employ-
16 ment security administration account established pursuant
17 to section 904 of the Social Security Act. Amounts col-
18 lected after January 1, 2001, by the Internal Revenue
19 Service shall be immediately deposited in the employment
20 security transition account within the Unemployment
21 Trust Fund established pursuant to section 904 of the So-
22 cial 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 Federal-
 24 State Extended Unemployment Compensation Act of
 25 1970;”.

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

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 accordance with titles III and IX of
14 the 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 2001 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, 2001.

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 to read 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 Fed-
 12 eral-State Extended Unemployment Compensation Act of
 13 1970, as required under subsection (a)(11)), or has, with
 14 respect to the 12-month period ending on such October
 15 31, failed to comply substantially with any such provision.
 16 No State shall be required to enact a State law to meet
 17 the performance measures or other standards established
 18 by the Secretary of Labor pursuant to the Government
 19 Performance Results Act of 1993.”

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

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

24 “(f) For purposes of this chapter, the term ‘unem-
 25 ployment fund’ means a special fund, established under

1 a State law and administered by a State agency, for the
2 payment of compensation. Any sums standing to the un-
3 employment benefit accounts of the State agency in the
4 Unemployment Trust Fund established by section 904 of
5 the Social Security Act shall be deemed to be a part of
6 the unemployment fund of the State, and no sums paid
7 out of the Unemployment Trust Fund to such State agen-
8 cy shall cease to be a part of the unemployment fund of
9 the State until expended by such State agency. An unem-
10 ployment fund shall be deemed to be maintained during
11 a taxable year only if throughout such year, or such por-
12 tion of the year as the unemployment fund was in exist-
13 ence, no part of the moneys of such fund was expended
14 for any purpose other than the payment of compensation
15 and for refunds of sums erroneously paid into such fund
16 and refunds paid in accordance with the provisions of sec-
17 tion 3305(b); except that—

18 “(1) an amount equal to the amount of em-
19 ployee payments into the unemployment compensa-
20 tion benefit account within the fund of a State may
21 be used in the payment of cash benefits drawn from
22 the unemployment compensation benefit account of
23 the State within the Unemployment Trust Fund to
24 individuals with respect to their disability, exclusive
25 of expenses of administration;

1 “(2) the amounts specified by section 903(c)(2)
2 of the Social Security Act may, subject to the condi-
3 tions prescribed in such section, be used for ex-
4 penses incurred by the State for administration of
5 its unemployment compensation law, and public em-
6 ployment services;

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

16 “(4) amounts may be deducted from unemploy-
17 ment benefits drawn from the State’s unemployment
18 compensation benefit account within the Unemploy-
19 ment Trust Fund and used to repay overpayments
20 as provided in section 303(g) of the Social Security
21 Act;

22 “(5) amounts may be withdrawn from the
23 State’s unemployment compensation benefit account
24 within the Unemployment Trust Fund for the pay-

1 ment of short-time compensation under a plan ap-
 2 proved by the Secretary of Labor; and

3 “(6) amounts may be withdrawn from the
 4 State’s unemployment compensation benefit account
 5 within the Unemployment Trust Fund for the pay-
 6 ment of allowances under a self-employment assist-
 7 ance program (as defined in subsection (t)).”

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

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

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

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

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

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

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

7 “(a) GENERAL RULE.—(1) The taxes imposed by this
8 subtitle shall be collected by the Secretary and shall be
9 paid into the Treasury of the United States as internal-
10 revenue collections, except that effective for calendar year
11 2001 and calendar years thereafter the tax imposed by
12 section 3301 shall be collected by the State agencies re-
13 sponsible for administration of the State unemployment
14 law (or any other State agencies specifically identified by
15 State law) as agents for the Secretary. Amounts collected
16 by each State agency shall be paid into the treasury to
17 the credit of the State employment security administration
18 account of the State as prescribed in section 3301 and
19 titles III and IX of the Social Security Act. Amounts col-
20 lected by the Internal Revenue Service after January 1,
21 2001, with respect to the tax imposed by section 3301
22 shall be paid into the Treasury of the United States to
23 the credit of the employment security transition account
24 within the Unemployment Trust Fund established pursu-
25 ant to section 904 of the Social Security Act.

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

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

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

8 (a) IN GENERAL.—The last sentence of section
 9 6157(a) of the Internal Revenue Code of 1986 is amended
 10 to read as follows: “The tax for any calendar quarter or
 11 other period shall be computed as provided in subsection
 12 (b) and the tax as so computed shall, except as otherwise
 13 provided in subsection (c), be paid, effective for calendar
 14 year 2001 and calendar years thereafter, to the State
 15 agency responsible for administration of the State unem-
 16 ployment compensation law as the agent of the Secretary.
 17 Such taxes shall be paid quarterly.”

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

20 **SEC. 109. REPEALER.**

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

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

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

13 “(A) There is hereby appropriated to the
14 Unemployment Trust Fund for credit to the
15 employment security administration account for
16 each State—

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

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

13 “(C) At the end of the month following
14 January 1, 2004, and each month thereafter,
15 the Secretary of the Treasury shall transfer 2
16 percent of the amount collected and deposited
17 into each State employment security adminis-
18 tration account pursuant to subparagraph
19 (A)(i) to the Secretary of Labor employment se-
20 curity administration account established pur-
21 suant to this section and section 904.

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

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

3 “(B) There is hereby appropriated to the Un-
4 employment Trust Fund for credit to the supple-
5 mental employment security administration account,
6 for the fiscal year ending September 30, 2005, and
7 for each fiscal year thereafter—

8 “(i) an amount equal to 100 percent of the
9 amount transferred pursuant to paragraph
10 (1)(B); and

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

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

19 “(B) There is hereby appropriated to the Un-
20 employment Trust Fund for credit to the Secretary
21 of Labor employment security administration ac-
22 count, for the fiscal year ending September 30,
23 2005, and for each fiscal year thereafter an amount
24 equal to 100 percent of the amount transferred pur-
25 suant to paragraph (1)(C).

1 “USE OF SPECIAL ADMINISTRATIVE FUNDS

2 “SEC. 912. There are hereby authorized to be made
 3 available for expenditure out of the employment security
 4 administration accounts maintained by the Secretary of
 5 Treasury for each State for fiscal years 2001 through
 6 2004 such amounts, not to exceed \$245,000,000 for each
 7 year, as are requested by the States from their respective
 8 State employment security administration accounts, sub-
 9 ject to appropriation by the legislative body of each State,
 10 to be used only for—

11 “(1) determining whether individuals claiming
 12 unemployment compensation under State laws con-
 13 forming to section 3304 are available to accept suit-
 14 able work and have not refused suitable work as pre-
 15 scribed by the State unemployment law;

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

21 “(3) appropriate recruitment services and spe-
 22 cial technical services for employers; and

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

1 Such amounts shall be available for State appropriation
 2 in addition to amounts otherwise appropriated by Con-
 3 gress.”.

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

6 **SEC. 202. REPEAL OF SUBSECTIONS (a) AND (b) OF SECTION**
 7 **901 OF THE SOCIAL SECURITY ACT.**

8 (a) IN GENERAL.—Subsections (a) and (b) of section
 9 901 of the Social Security Act (42 U.S.C. 1101) are re-
 10 pealed.

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

13 **SEC. 203. EXPENDITURES FOR ADMINISTRATION.**

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

17 “Administrative Expenditures

18 “(c)(1) There are hereby authorized to be made avail-
 19 able for expenditure out of the employment security ad-
 20 ministration accounts maintained by the Secretary of the
 21 Treasury for the States, effective for the Federal fiscal
 22 year beginning October 1, 2004, and each fiscal year
 23 thereafter, such amounts as are requested by the States
 24 from their respective State employment security adminis-
 25 tration accounts, subject to appropriation by the legisla-

1 tive body of each State (not in excess of 140 percent of
 2 the amount appropriated to the State agency from Federal
 3 employment security funds for the 12-month period end-
 4 ing September 30 of the previous year), only for the pur-
 5 pose of—

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

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

13 “(C) carrying into effect section 4103 of title
 14 38, United States Code,

15 “(D) collection of amounts due under chapter
 16 23 of the Internal Revenue Code of 1986, and

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

22 Amounts requested by the State but not appropriated by
 23 the State legislative body for the fiscal year for which such
 24 amounts are requested shall be transferred to the State’s

1 unemployment compensation benefit account as of the be-
2 ginning of the following Federal fiscal year.

3 “(2) There are hereby authorized to be made avail-
4 able for expenditure by States whose average civilian labor
5 force populations number less than 1,000,000, out of the
6 supplemental employment security administration ac-
7 count, \$5,000,000 for each of fiscal years 2001 through
8 2004 only for—

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

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

20 “(C) appropriate recruitment services and spe-
21 cial technical services for employers.

22 Such amounts shall be available for State appropriation
23 in addition to amounts otherwise appropriated by Con-
24 gress.

1 “(3) There are hereby authorized to be made avail-
 2 able for expenditure by States whose average civilian labor
 3 force populations number less than 1,000,000, amounts
 4 out of the supplemental employment security administra-
 5 tion account for the fiscal year ending September 30,
 6 2005, and for each year thereafter. Such amounts shall
 7 be allocated to the States by the Council of States with
 8 Lesser Populations (established under paragraph (4)),
 9 subject to appropriation by the legislative body of each
 10 State, only for the purpose of—

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

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

15 “(C) administration of section 4103 of title 38,
 16 United States Code;

17 “(D) collection of amounts due under chapter
 18 23 of the Internal Revenue Code of 1986; and

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

24 “(4)(A) The Council of States with Lesser Popu-
 25 lations is hereby established for the purpose of determin-

1 ing the methodology by which amounts available from the
2 supplemental employment Security administration account
3 are to be allocated. The council shall be composed of 1
4 representative appointed by the Governor of each State
5 with an average civilian labor force which numbers less
6 than 1,000,000 for the calendar year ending prior to the
7 Federal fiscal year for which allocations are to be made.
8 The council shall be reconstituted each year prior to the
9 beginning of the ensuing Federal fiscal year.

10 “(B) The council shall determine amounts to be allo-
11 cated to the States, except that no State’s allocation for
12 any fiscal year, when added to the amount available pursu-
13 ant to section 901(b)(1), shall be less than the amount
14 appropriated to such State from the employment security
15 administration account for fiscal year 1995, plus an ad-
16 justment for increased administrative costs incurred after
17 1995.

18 “(C) The council shall notify the Secretary of the
19 Treasury prior to each fiscal year of the amounts to be
20 allocated to each State. If the council fails to determine
21 amounts to be allocated for a fiscal year, such amounts
22 shall be carried over and maintained in the supplemental
23 employment security Administration Account and may be
24 allocated by the council for following Federal fiscal years.

1 “(D) Amounts allocated by the council, but not ap-
2 propriated by the State legislative body for the fiscal year
3 for which allocation was made, shall be transferred to the
4 State employment security administration accounts of all
5 States as of the beginning of the following Federal fiscal
6 year. Each State’s share of the funds to be transferred
7 shall bear the same ratio to the total amount to be so
8 transferred as the amount of wages subject to tax under
9 section 3301 of the Internal Revenue Code of 1986 during
10 the preceding calendar year which are determined by the
11 Secretary of Labor to be attributable to the State, bears
12 to the total amount of wages subject to such tax during
13 such year.

14 “(5)(A) There are hereby authorized to be made
15 available for expenditure out of the Secretary of Labor
16 employment security administration account for the fiscal
17 year ending September 30, 2005, and for each fiscal year
18 thereafter such amounts (not in excess of 140 percent of
19 the amount appropriated by Congress for the Department
20 of Labor from the employment security administration ac-
21 count for the prior year) as Congress may deem appro-
22 priate for the necessary expenses of the Department of
23 Labor for the performance of its functions under—

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

1 “(ii) chapter 23 of the Internal Revenue Code
2 of 1986,

3 “(iii) chapter 41 (except section 4103) of title
4 38, United States Code,

5 “(iv) Federal unemployment compensation laws
6 effective as of October 1, 1999,

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

12 “(vi) establishment and maintenance of the em-
13 ployment security system in accordance with the
14 Wagner-Peyser Act, and

15 “(vii) payments of the Federal share of annual
16 amortization costs of the unfunded liability for the
17 State employment security agencies with independ-
18 ent retirement plans as determined by the Secretary
19 of Labor.

20 “(B) Amounts appropriated under this paragraph, if
21 not obligated within the fiscal year for which appropriation
22 was made, shall be transferred to the State employment
23 security administration accounts. Each State’s share shall
24 be determined as provided for distribution of funds from

1 the employment security transition account pursuant to
 2 subsection (e)(3)(D).

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

12 “(6) The Secretary of the Treasury is directed, for
 13 the fiscal year ending September 30, 2005, and each fiscal
 14 year thereafter, to pay from the Secretary of Labor em-
 15 ployment security Administration Account into the treas-
 16 ury as miscellaneous receipts the amount determined by
 17 the Secretary of Labor to be allocated to the treasury de-
 18 partment to cover costs of the Department of the Treasury
 19 for the performance of its functions under—

20 “(A) this title and titles III and XII, including
 21 the expenses of banks for servicing unemployment
 22 benefit payment and clearing accounts which are off-
 23 set by the maintenance of balances of treasury funds
 24 with such banks,

1 “(B) chapter 23 of the Internal Revenue Code
2 of 1986, and

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

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

8 **SEC. 204. TRANSFER OF AMOUNTS ATTRIBUTABLE TO RE-**
9 **DUCE CREDITS.**

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

13 “Additional Tax Attributable to Reduced Credits

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

19 “(A) to the Federal unemployment account, an
20 amount equal to the amount by which—

21 “(i) 100 percent of the additional tax re-
22 ceived under chapter 23 of the Internal Reve-
23 nue Code of 1986 with respect to the State by
24 reason of the reduced credits provisions of sec-
25 tion 3302(c)(3) of such Code and covered into

1 the Treasury for the repayment of advances
2 made to the State under section 1201, exceeds

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

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

19 “(2) Transfers under this subsection shall be as of
20 the beginning of the month succeeding the month in which
21 the moneys were credited to the employment security ad-
22 ministration account of the State.”.

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

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

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

5 “Revolving Fund

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

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

20 “(3) Advances to the State employment security ad-
 21 ministration account of a State made under this sub-
 22 section shall bear interest until repaid at a rate equal to
 23 the average rate of interest (computed as of the end of
 24 the calendar month next preceding the date of such ad-
 25 vance) borne by all interest-bearing obligations of the
 26 United States then forming a part of the public debt; ex-

cept that where such average rate is not a multiple of $\frac{1}{8}$ of 1 percent, the rate of interest shall be the multiple of $\frac{1}{8}$ of 1 percent next lower than such average rate.

“(4) Advances to the State employment security administration account of a State made under this subsection, plus interest accrued thereon, shall be repaid by the State, and may be repaid at the request of a State by the transfer, from the State employment security administration account of such State to the revolving fund. Any amount transferred as a repayment under this paragraph shall be credited against, and shall operate to reduce, 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, 2000.

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, 2002, and each fiscal year thereafter, the excess and the net balance of amounts in the State employment security administration account maintained for each State.

1 “(2) The excess in the State employment security ad-
2 ministration account for each State as of the close of any
3 fiscal year is the amount by which the net balance in such
4 account as of such time (after the application of sections
5 902 and 903 and paragraph (3)(B) of this subsection) ex-
6 ceeds the net balance in the State employment security
7 administration account for such State as of the close of
8 the previous fiscal year.

9 “(3)(A) The excess in the State employment security
10 administration account of each State determined as pro-
11 vided in paragraph (2) as of the close of any fiscal year
12 ending after September 30, 2006, not to exceed 140 per-
13 cent of the net balance at the close of the previous fiscal
14 year, shall be retained (as of the beginning of the succeed-
15 ing fiscal year) in the State employment security adminis-
16 tration account for the State.

17 “(B) The amount of the excess determined not to be
18 retained as provided in paragraph (3)(A) as of the close
19 of any fiscal year ending after September 30, 2006, shall
20 be transferred (as of the beginning of the succeeding fiscal
21 year) to the unemployment compensation benefit account
22 of the State in the Unemployment Trust Fund.

23 “(C)(i) At the close of each of fiscal years 2000
24 through 2003, there shall be transferred to the supple-
25 mental employment security administration account, out

1 of the employment security administration account,
 2 \$5,000,000 only for—

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

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

14 “(III) appropriate recruitment services and spe-
 15 cial technical services for employers; and

16 “(IV) collection of the Federal unemployment
 17 tax imposed pursuant to section 3301 of the Inter-
 18 nal Revenue Code of 1986.

19 “(ii) At the close of each of fiscal years 2000 through
 20 2003, there shall be transferred to the State employment
 21 security administration accounts, out of the employment
 22 security administration account, \$245,000,000 only for—

23 “(I) determining whether individuals claiming
 24 unemployment compensation under State laws con-
 25 forming to section 3304 of the Internal Revenue

1 Code of 1986 are available to accept suitable work
2 and have not refused suitable work as prescribed by
3 the State unemployment compensation law;

4 “(II) job search and placement services to indi-
5 viduals claiming unemployment compensation bene-
6 fits and other job seekers including counseling, test-
7 ing, occupational and labor market information, as-
8 sessment, and referral to employers;

9 “(III) appropriate recruitment services and spe-
10 cial technical services for employers; and

11 “(IV) collection of taxes under chapter 23 of
12 the Internal Revenue Code of 1986.

13 “(iii) Each State’s share of the funds to be trans-
14 ferred to the State employment security administration ac-
15 counts shall bear the same ratio to the total amount to
16 be transferred to such accounts as the amount of wages
17 subject to tax under chapter 23 of the Internal Revenue
18 Code of 1986 during the preceding calendar year which
19 are determined by the Secretary of Labor to be attrib-
20 utable to the State, bears to the total amount of wages
21 subject to such tax during such year.

22 “(D) As of the close of the fiscal year ending Septem-
23 ber 30, 2004, 96 percent of the amount in the employment
24 security administration account shall be transferred as of
25 October 1, 2004, to the State employment security admin-

1 istration accounts of the States, 2 percent shall be trans-
2 ferred as of October 1, 2004, to the supplemental employ-
3 ment security administration account, and 2 percent shall
4 be transferred as of October 1, 2004, to the Secretary of
5 Labor employment security administration account. Each
6 State's share of the funds to be transferred to the State
7 employment security administration accounts shall bear
8 the same ratio to the total amount to be transferred to
9 such accounts as the amount of wages subject to tax under
10 chapter 23 of the Internal Revenue Code of 1986 during
11 the preceding calendar year which are determined by the
12 Secretary of Labor to be attributable to the State, bears
13 to the total amount of wages subject to such tax during
14 such year. Such amounts shall be available for the pur-
15 poses set forth in subsection (b)(1).

16 “(E) As of October 31, 2000, and the end of each
17 month thereafter, 96 percent of the amount in the employ-
18 ment security transition account shall be transferred to
19 the State employment security administration accounts of
20 the States, 2 percent shall be transferred to the supple-
21 mental employment security administration account, and
22 2 percent shall be transferred to the Secretary of Labor
23 employment security administration account. Each State's
24 share of the funds to be transferred to the State employ-
25 ment security administration accounts shall bear the same

1 ratio to the total amount to be transferred to such ac-
 2 counts as the amount of wages subject to tax under chap-
 3 ter 23 of the Internal Revenue Code of 1986 during the
 4 preceding calendar year which are determined by the Sec-
 5 retary of Labor to be attributable to the State, bears to
 6 the total amount of wages subject to such tax during such
 7 year.

8 “(4) For the purposes of this section, the net balance
 9 in the employment security administration account and
 10 the State employment security administration account
 11 maintained for each State as of any time is the amount
 12 in such account as of such time reduced by the sum of
 13 the balance of advances (plus interest accrued thereon)
 14 then repayable to the revolving fund established by sub-
 15 section (d) of this section. The net balance in the State
 16 employment security administration account maintained
 17 for each State as of the beginning of any fiscal year shall
 18 be determined after the disposition of the excess in such
 19 account as of the close of the preceding fiscal year.”.

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

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

14 “State Allocation Formula

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

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

2 Section 902(c) of the Social Security Act (42 U.S.C.
3 1102(c)) is repealed.

4 **SEC. 209. TREATMENT OF EXTENDED UNEMPLOYMENT**
5 **COMPENSATION ACCOUNT.**

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

9 “Transfer of Excess Amounts in Extended
10 Unemployment Compensation Account

11 “(a)(1) As of the close of the fiscal year ending Sep-
12 tember 30, 2004, and the close of each subsequent fiscal
13 year, the excess in the extended unemployment compensa-
14 tion account (as determined under section 905(b)) shall
15 be transferred by the Secretary of the Treasury to the em-
16 ployment security administration accounts of the States
17 pursuant to such section and the remaining balance shall
18 be retained in the extended unemployment compensation
19 account.

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

24 “(A) shall be determined by the Secretary of
25 Labor and certified by such Secretary to the Sec-

1 retary of the Treasury before any transfer is made,
2 and

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

5 “(i) the amount of wages subject to tax
6 under section 3301 of the Internal Revenue
7 Code of 1986 during the preceding calendar
8 year which are determined by the Secretary of
9 Labor to be attributable to the State, bears to
10 “(ii) the total amount of wages subject to
11 such tax during such calendar year.”.

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

14 **SEC. 210. TREATMENT OF AMOUNTS ELECTED BY INELI-**
15 **GIBLE STATES.**

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

19 “Treatment of Amounts Elected by Ineligible States

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

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

24 “(B) the law of a State is not approvable under
25 section 3304 of the Internal Revenue Code of 1986,

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

23 “(2) The amount which, but for this paragraph,
24 would be transferred to the unemployment compensation
25 benefit account of a State under subsection (a) of this sec-

tion or paragraph (1) of this subsection shall be reduced
 (but not below zero) by the balance of advances made to
 the State under section 1201. The sum by which such
 amount is reduced shall—

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

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

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

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

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

SEC. 211. USE OF REED ACT FUNDS.

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

“Use of Reed Act Funds

“(c)(1) Except as provided in paragraph (2),
 amounts transferred to the unemployment compensation
 benefit account of a State pursuant to subsections (a) and

1 (b) of this section shall be used only in the payment of
 2 cash benefits to individuals with respect to their unem-
 3 ployment, exclusive of expenses of administration.

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

10 “(A) the purposes and amounts were specified
 11 in the law making the appropriation,

12 “(B) the appropriation law did not authorize
 13 the obligation of such money after the close of the
 14 2-year period which began on the date of enactment
 15 of the appropriation law,

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

18 “(D)(i) the appropriation law limits the total
 19 amount which may be obligated under such approp-
 20 riation at any time to an amount which does not
 21 exceed, at any such time, the amount by which—

22 “(I) the aggregate of the amounts trans-
 23 ferred to the unemployment compensation bene-
 24 fit account of such State pursuant to sub-
 25 sections (a) and (b), exceeds

1 “(II) the aggregate of the amounts used by
 2 the State pursuant to this subsection and
 3 charged against the amounts transferred to the
 4 unemployment compensation benefit account of
 5 such State, and

6 “(ii) for purposes of clause (i), amounts used by
 7 a State for administration shall be chargeable
 8 against transferred amounts at the exact time the
 9 obligation is entered into, and

10 “(E) the use of the money shall be accounted
 11 for in accordance with standards established by each
 12 State. Proceeds from the sale or transfer of real
 13 property and other capital assets which were origi-
 14 nally purchased with Federal funds provided under
 15 this title or title III, may be used by a State agency
 16 administering State law in accordance with such ti-
 17 tles and section 3304 of the Internal Revenue Code
 18 of 1986 to purchase or otherwise acquire real prop-
 19 erty or other capital assets for a period of 2 years
 20 after the date of sale or transfer. Proceeds from the
 21 sale or transfer of real property remaining after
 22 such 2-year period shall be deposited in the State’s
 23 employment security administration account estab-
 24 lished pursuant to section 904.

25 “(3)(A) If—

1 “(i) amounts transferred to the unemployment
2 compensation benefit account of a State pursuant to
3 subsections (a) and (b) of this section were used in
4 payment of unemployment benefits to individuals;
5 and

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

15 “(B) Subparagraph (A) shall apply only to the extent
16 that the amounts described in clause (i) of such subpara-
17 graph do not exceed the amount then in the State’s unem-
18 ployment compensation benefit account.

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

22 “(D) If the Secretary of Labor determines that the
23 requirements of this paragraph are met with respect to
24 any request, the Secretary shall notify the Governor of the
25 State that such requirements are met with respect to such

1 request and the amount restored under this paragraph.
 2 Such restoration shall be as of the first day of the first
 3 month following the month in which the notification is
 4 made.”.

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

7 **SEC. 212. PROVISIONS RELATING TO ESTABLISHMENT OF**
 8 **UNEMPLOYMENT TRUST FUND.**

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

12 “Establishment, Etc.

13 “(a) There is hereby established in the Treasury of
 14 the United States a trust fund to be known as the Unem-
 15 ployment Trust Fund (in this subchapter referred to as
 16 the ‘Fund’). The Secretary of the Treasury is authorized
 17 and directed to receive and hold in the Fund all moneys
 18 deposited therein by a State agency from a State unem-
 19 ployment fund. All moneys in the form of contributions
 20 and payments in lieu of contributions under the State law
 21 shall be deposited into the State’s unemployment com-
 22 pensation benefit account established pursuant to this sec-
 23 tion. All moneys collected by a State agency under chapter
 24 23 of the Internal Revenue Code of 1986 and moneys
 25 transferred or deposited under other sections of this title

1 or chapter 23 of the Internal Revenue Code of 1986 shall
 2 be deposited into the State’s employment security adminis-
 3 tration account. All moneys collected by the Internal Reve-
 4 nue Service after January 1, 2001, under the provisions
 5 of chapter 23 of the Internal Revenue Code of 1986 shall
 6 be deposited into the employment security transition ac-
 7 count of the Fund. Moneys collected by the Railroad Re-
 8 tirement Board shall be deposited to the credit of the rail-
 9 road unemployment insurance account or the railroad un-
 10 employment insurance administration fund.”.

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

13 **SEC. 213. SEPARATE BOOK ACCOUNTS.**

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

17 “Separate Book Accounts

18 “(e)(1) The Fund shall be invested as a single fund,
 19 but the Secretary of the Treasury shall maintain a sepa-
 20 rate book account for the employment security transition
 21 account, each State agency unemployment compensation
 22 benefit account, the employment security administration
 23 account for each State, the supplemental employment se-
 24 curity administration account, the Secretary of Labor em-
 25 ployment security administration account, the Federal un-

1 employment account, the extended unemployment com-
 2 pensation account, the railroad unemployment insurance
 3 account, and the railroad unemployment insurance admin-
 4 istration fund and shall credit quarterly (on March 31,
 5 June 30, September 30, and December 31, of each year)
 6 to each account, on the basis of the average daily balance
 7 of such account, a proportionate part of the earnings of
 8 the Fund for the quarter ending on such date. For the
 9 purpose of this subsection, the average daily balance shall
 10 be computed—

11 “(A) in the case of any State unemployment
 12 compensation benefit account, by reducing (but not
 13 below zero) the amount in the account by the bal-
 14 ance of advances made to the State under section
 15 1201, and

16 “(B) in the case of the Federal unemployment
 17 account—

18 “(i) by adding to the amount in the ac-
 19 count the aggregate of the reductions under
 20 paragraph (1), and

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

24 “(2) There is hereby established within the Unem-
 25 ployment Trust Fund, an employment security transition

1 account for the purpose of receiving moneys collected
 2 under chapter 23 of the Internal Revenue Code of 1986,
 3 by the Internal Revenue Service, and transferring such
 4 moneys to other accounts within the Unemployment Trust
 5 Fund as prescribed by this title.”.

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

8 **SEC. 214. PAYMENTS TO STATE AGENCIES AND RAILROAD**
 9 **RETIREMENT BOARD.**

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

13 “Payments to State Agencies and Railroad Retirement
 14 Board

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

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

3 **SEC. 215. ESTABLISHMENT OF EUCA ACCOUNT EXCESS AND**
4 **TRANSFERS.**

5 (a) IN GENERAL.—Section 905 of the Social Security
6 Act (42 U.S.C. 1105) is amended by striking subsections
7 (b) and (c) and inserting the following:

8 “Determination of Excess and Transfers to Accounts

9 “(b)(1) The Secretary of the Treasury shall deter-
10 mine as of the close of the fiscal year ending September
11 30, 2004, and the close of each subsequent fiscal year,
12 the excess in the extended unemployment compensation
13 account.

14 “(2) The excess in the extended unemployment com-
15 pensation account as of the close of any fiscal year is the
16 amount (if any) by which the net balance in such account
17 as of such time exceeds the greater of—

18 “(A) \$14,400,000,000; or

19 “(B) an amount equal to 0.25 percent of the
20 total wages subject (determined without limitation
21 on amount) to contributions under all State unem-
22 ployment compensation laws for the calendar year
23 ending during the fiscal year for which the excess is
24 determined.

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

9 “Transfers to State Accounts

10 “(c) Amounts in the extended unemployment com-
 11 pensation account shall be available for transfer to the un-
 12 employment compensation benefit accounts of the States
 13 in the Unemployment Trust Fund as provided in section
 14 204(e) of the Federal-State Extended Unemployment
 15 Compensation Act of 1970.”.

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

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

19 Section 910 of the Social Security Act (42 U.S.C.
 20 1110) is repealed.

1 **TITLE III—GRANTS TO STATES**
 2 **FOR EMPLOYMENT SECURITY**
 3 **ADMINISTRATION**

4 **SEC. 301. REPEAL OF SECTIONS 301 AND 302 OF THE SOCIAL**
 5 **SECURITY ACT.**

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

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

10 **SEC. 302. STATE REQUIREMENTS.**

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

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

22 “(5) Expenditure of all money withdrawn from
 23 the State’s Unemployment Compensation Benefit
 24 Account within the unemployment fund of such
 25 State, in the payment of unemployment compensa-

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

1 tion 3306(t) of the Internal Revenue Code of 1986);
2 and”.

3 (c) USE OF ADMINISTRATIVE FUNDS.—Section
4 303(a)(8) of the Social Security Act (42 U.S.C. 503(a)(8))
5 is amended to read as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9 (1) in subsection (a)—

10 (A) in paragraph (1), in the matter preced-
11 ing subparagraph (A), by inserting “the unem-
12 ployment compensation benefit account of”
13 after “be paid to”;

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

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

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

23 (3) in subsection (e)—

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 Farm Placement Service maintained pursuant to such
2 Act.

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

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

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

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

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

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

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

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

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

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

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

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

11 “(A) evaluation of programs;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

24 “(A) the aggregate amount credited under
 25 section 904 to State unemployment compensa-
 26 tion benefit accounts on the last day of the last

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

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

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

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

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

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

1 “ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

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

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

17 **TITLE VII—CONFORMING** 18 **AMENDMENTS**

19 **SEC. 701. BALANCED BUDGET AMENDMENTS.**

20 Sections 5402, 5403, 5404, and 5408 of the Bal-
 21 anced Budget Act of 1997 are repealed effective Septem-
 22 ber 30, 2004.

1 **SEC. 702. REPEAL OF FEDERAL UNEMPLOYMENT TAX**
2 **AMENDMENT.**

3 Amendments enacted in section 1035 of the Taxpayer
4 Relief Act of 1997 are repealed.

